Dissertation

on

WINGS OF INTEGRATION: ASSESSING RECENT TRENDS AND EVALUATING M&A DYNAMICS IN INDIA'S AVIATION SECTOR

LL.M. Dissertation submitted in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Law (LLM) at Sister Nivedita University (SNU), Kolkata

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Date: 25/04/2025

Place: Kolkata

Sohom Nandi

PROF. SOHOM NANDI

(Lecturer, School of law)

Sister Nivedita University

DECLARATION BY THE STUDENT

I hereby declare that the work which is being presented in this dissertation entitled **"Wings Of Integration: Assessing Recent Trends And Evaluating M&A Dynamics In India's Aviation Sector"** in partial fulfilment of the requirements for the award of the degree of Masters of Law in Corporate Law is an authentic record of my own work carried out during the period from 2023 to 2025 under the supervision of Prof. Sohom Nandi, Department of Law, Sister Nivedita University.

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School of Law

Preface

Mergers and Acquisitions (M&A) represent a critical corporate strategy wherein companies consolidate to enhance competitiveness, reduce operational redundancies, and capture larger market segments. In the aviation sector, M&As are often pursued to achieve economies of scale, expand route networks, and combat financial distress. As the Indian aviation market matures, such consolidations become increasingly important for sustainability. This dissertation explores the dynamic interface of law, policy, and economics in the context of aviation M&A, drawing from both historical and contemporary developments. It aims to unpack the regulatory, competitive, and consumer implications of airline consolidations within the Indian legal framework.

The Indian aviation industry is a vital pillar of the economy, contributing approximately 2.4% to the national GDP and supporting millions of jobs. Its exponential growth, driven by increasing middle-class travel, infrastructural expansion, and policy initiatives like UDAN, makes it a key area for investment and strategic alliances. M&A activities within this space play a pivotal role in shaping the competitive landscape and maintaining service continuity amidst financial challenges. The concept of market share becomes central in assessing post-merger dominance, route control, and fare-setting behaviour, especially in a market increasingly consolidated under major players like IndiGo and the Tata Group.

The purpose of this study is to critically evaluate the legal, regulatory, and structural facets of M&A activity in the Indian aviation sector. It particularly emphasizes the role of statutory authorities such as the Competition Commission of India (CCI), the Directorate General of Civil Aviation (DGCA), and the Ministry of Civil Aviation (MoCA) in ensuring fair competition, safety, and consumer protection. Through case studies and doctrinal research, this dissertation aims to propose policy reforms, recommend post-merger monitoring mechanisms, and contribute to the discourse on sustainable airline consolidation. It aspires to serve as a reference for both regulatory reform and academic inquiry.

Acknowledgement

I am deeply indebted to Prof. SOHOM NANDI, School of Law Sister Nivedita University, New Town, Kolkata, who amidst her many engagements found time to guide me with unflagging interest and bestowed me invaluable suggestion and constant encouragement throughout the period of my research work.

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I am also eternally grateful to my God and saviour for giving me the intellect, motivation, passion, and ability to strive for better things.

At last, my sincere thanks to all those who helped me in completing the thesis work mentioned above.

Place: Kolkata Sohini Biswas

Date: 13-07-2023

List Of Abbreviations

Sl. No.	Abbreviation	Full Form
1	M&A	Mergers and Acquisitions
2	GDP	Gross Domestic Product
3	DGCA	Directorate General of Civil Aviation
4	MoCA	Ministry of Civil Aviation
5	CCI	Competition Commission of India
6	SEBI	Securities and Exchange Board of India
7	UDAN	Ude Desh ka Aam Nagrik
8	AAEC	Appreciable Adverse Effect on Competition
9	FDI	Foreign Direct Investment
10	IBC	Insolvency and Bankruptcy Code
11	NCLT	National Company Law Tribunal
12	ICAO	International Civil Aviation Organization
13	IPO	Initial Public Offering
14	PMI	Post-Merger Integration
15	LCC	Low-Cost Carrier
16	ATF	Aviation Turbine Fuel
17	RCS	Regional Connectivity Scheme
18	JAMOC	Joint Aviation Merger Oversight Committee
19	AMR	Annual Merger Report
20	AAI	Airports Authority of India

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6. Collapse of Kingfisher Airlines post-M&A
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8. GoAir's rebranding to Go First
9. Indigo and SpiceJet's route optimization post-consolidation
10. Indigo's strategic capacity expansion (2016–2022)
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13. Jet Airways–Etihad Airways strategic alliance (2013)
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Chapter 1: Introduction

1.1 Background

Indian civil aviation began in 1911 and is the third-largest civil aviation market in the world.[1] The main player and flag carrier is Air India. Other airlines include Indigo, SpiceJet, GoAir, Vistara, and AirAsia India, according to their market share rankings. Even though India is one of the largest aviation markets in the world, many pockets of opportunity remain untapped.

The airline companies are a vital part of a country's economic infrastructure. Air travel continues to be a vast-ranging and expanding industry, stimulating economic growth, world trade, international investment, and tourism; thus, providing a bedrock to keep many other sectors going in the globalized environment. Air travel itself has been growing at an average of 7% per annum over the last decade. Companies themselves are becoming more global in their production, supply, and distribution chains and their customers, thus allowing business travel to flourish.[2]

A review of the history of the Indian civil aviation industry between 2020 and 2025 shows a complete metamorphosis of the industry, one that has been influenced ever since by dynamic market conditions, fast-evolving regulatory regimes, and intensifying competition. Most airlines found themselves in situations brought by the pandemic that would require a long-term view on the sustainability of their operational models. An enormous force has been attributed to M&A being a strategy for airlines to gain economies of scale, operate more efficiently, and enter marketplaces. However, the question of whether that consolidation will succeed is still open: financial difficulties and poor integration, as well as changing consumer behaviour, could all play their part in the outcome.

High-stakes M&A, such as the privatization of Air India, the purchase of AirAsia India by the Tata Group, and the strategic alignment of Vistara with Singapore Airlines, have all served to consolidate the Indian aviation market. These mergers have served to consolidate market presence, optimize resources, and ensure financial viability. Some consolidations have provided positive synergies, while others have struggled in the face of cultural mismatches, internal inefficiencies, and regulatory impediments.

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[1] Press Information Bureau, India's Soaring Skies with Inclusive and Booming Aviation (Sept. 15, 2024), https://pib.gov.in/PressNoteDetails.aspx?NoteId=152143&reg=3&lang=1.

[2] Shivang Gupta, Factors Affecting the Performance of Aviation Sector in India, 3 Int'l J.L. Mgmt. & Human. 395 (2020).

A key aspect of M&A dynamics is the impact on financial performance, customer experience, and industry stability. Companies undergoing mergers often face short-term financial turbulence, integration complexities, and workforce adjustments. Additionally, the role of government regulations, competitive pricing strategies, and consumer expectations has significantly influenced post-merger outcomes. This study aims to assess how M&A activities have shaped the Indian aviation sector's financial health, operational effectiveness, and market dominance from 2020 to 2025.

The case analyses in this study focus on the major M&A events in the Indian aviation landscape during this period. Air India's privatization and subsequent restructuring under the Tata Group, the merger of AirAsia India and Vistara into a unified entity, and the strategic shifts undertaken by budget airlines such as IndiGo highlight the diverse outcomes of market consolidation efforts. The study will evaluate these cases to understand the financial, strategic, and operational implications of M&A in the Indian aviation sector.

By examining these consolidations through a multi-dimensional approach, this research aims to provide insights into the effectiveness of M&A strategies in fostering industry growth, financial resilience, and enhanced service delivery. The findings will contribute to policy recommendations that can guide future M&A activities in the aviation industry, ensuring long-term sustainability and competitiveness.

1.2 Statement of Problems

The aviation industry has been decimated by the COVID-19 global pandemic as revenues drop to zero, fleets are grounded, and companies enter a liquidity crisis. This resulted in recent trends in M&A and corporate restructuring due to the need for airlines to be financially strong and to synergize operations, while raising the question of strategic necessity and long-term viability.

Since the COVID pandemic, the market consolidation has further raised concerns under competition law. It is now becoming more oligopolistic, leading to a few dominant airlines acquiring weaker players, without providing consumer choice and price flexibility, and barring the entrance of new ones in the market.

Regulatory schemes for ensuring competition have weaker enforcement in a specific sector and insufficient effect of improving legal consistency for M&A approvals, as it overlaps with the application of policies that intend to promote fair competition, and ambiguities in policy implementation, particularly regarding compliance with antitrust norms and DGCA guidelines.

The post-merger integration issues of workforce restructuring, cultural alignment, and operational synchronization continue to erode equitable distribution, undermining the potential gains from M&A, often reducing expected shareholder returns.

Finally, only short-term benefits are mainly focused on, in terms of market share and costs, while the long-term effects on shareholder wealth, minority rights, and consumer welfare are unexplored, thus requiring more thorough legal analyses.

1.3 Research Questions

1. What are the strategic motivations behind the M&A transactions in India's aviation industry?

2. What legal challenges are associated with compliance in post-merger integration within the Indian aviation industry?

3. Whether market consolidation through aviation M&A trends leads to monopolistic practices, restricting fair competition?

1.4 Hypothesis

India has experienced a large-scale consolidation in its aviation sector since the recent M&A, post-pandemic. Such M&A and the existing "big sharks" probably resulted in a reduction in competition, along with an increase in barriers to entry. The existing competition laws and antitrust policies are insufficient and lack enforcement in managing fair market practices, which brings about the need for a strengthened scrutiny by regulatory authorities to ensure consumer protection and prevent monopolistic or oligopolistic behaviour.

The M&A benefits are typically limited and unevenly distributed among shareholders, thereby increasing legal challenges related to compliance, workforce integration, and transparency in the post-merger phase.

1.5 Objectives of the Research

1. To analyze the strategic reasons and understand the impact of the M&A transactions in India's aviation industry.
2. To examine the legal challenges related to compliance, workforce restructuring, and operational integration post-merger.
3. To evaluate the role of competition laws and antitrust policies in ensuring fair market practices within the aviation sector.

1.6 Scope of the Research

This legal research examines the impact of mergers and acquisitions (M&A) in India's aviation sector and evaluates the recent trends from 2020 to 2024, with a focus on market consolidation and strategic synergies. The researcher has also narrowed and restricted his study to the commencement of this research, that is, December, 2024.

The researcher's primary area of focus is the regulatory landscape shaping aviation and understanding the driving reasons behind these M&A activities in India. The researcher will analyse the crucial aspects of M&A activities and their post-merger legal compliance, specifically in terms of workforce restructuring, operational integration, and contractual obligations. The study will evaluate the legal challenges companies face in ensuring seamless transitions post-merger while complying with domestic laws. This researcher explores the role of competition laws and antitrust policies in maintaining fair market practices within India's aviation sector.

The researcher will also examine whether these recent M&As in India's aviation industry have resulted in increased market consolidation and their role in addressing fare regulation, service quality, and market accessibility in a consolidated aviation industry. It will assess whether these mergers have led to pricing control by dominant airlines, impacting consumer choices and fair market practices.

The researcher envisages critically scrutinizing the flaws in the present legal regime associated with adopting a multi-dimensional legal approach, focusing on case studies, and deriving conclusions from them.

1.7 Research Methodology

In this specific research, the researcher has positioned the research methodology that is doctrinal in nature and scope. To analyze the legal aspects involved with the instant matter, this researcher will make use of primary sources such as domestic and international legislation, rules and guidelines, and international instruments such as agreements, treaties, and conventions. The researcher also delves into case study analysis of the recent mergers and considers the other relevant landmark mergers that occurred before 2020 in the Indian Aviation Sector.

The primary sources that have been counted on by the researcher include Acts, Regulations, Guidance Notes, and Reports. To support and enhance the study and research findings, the

researcher has additionally consulted a range of secondary materials, including books, websites, journal articles, research papers, theses, and Relevant Case Studies.

1.8 Literature Review

Dr. Jay Desai and Nisarg A Joshi in their Research paper "A Study of Mergers & Acquisitions in Aviation Industry in India and Their Impact on the Operating Performance and Shareholder Wealth"[3], focus on the operating performance and shareholder value of acquiring companies and compare their performance before and after the merger. The authors also systematically discussed how financial diversification can bring about various other advantages, like more stable cash flows, lower performance variations, insurance gains, and other tax advantages.

The Report of Working Group on the Civil Aviation Sector by the National Transport Development Policy Committee, June 2012, states that the civil aviation sector in India has witnessed dynamic ownership trends and M&A activities. Aircraft ownership patterns vary, with Full-Service Carriers like Air India opting for direct purchases, while Low-Cost Carriers favour leasing for financial flexibility. M&A activities have been driven by financial stress and market consolidation efforts. Slot allocations in mergers have raised competition concerns, as merged entities often gain a disproportionate market share. Additionally, foreign investment restrictions have influenced ownership structures, although policy changes have aimed at attracting capital to support industry growth.

Varsha Chamakura, edited by Adhip Ray, in their article "Recent Trends in Mergers and Acquisitions in India (2024)[4]" has deliberated certain landmark case studies connected to India's aviation sector has experienced significant M&A activity aimed at market consolidation and operational efficiency. Notable examples include the 2007 merger of Air India and Indian Airlines, and Jet Airways' acquisition of Air Sahara in 2006. Recently, Tata Group's acquisition of Air India in 2022 for $2.4 billion, followed by the planned merger with Vistara, reflects ongoing consolidation efforts. These aim to enhance competitiveness and service quality in India's rapidly growing aviation market.

[3] *Dr. Jay Desai & Nisarg A. Joshi, A Study of Mergers & Acquisitions in Aviation Industry in India and Their Impact on the Operating Performance and Shareholder Wealth, 6 INT'L J. DEV. RSCH. 7889 (2016).*
[4] Varsha Chamakura, Recent Trends in Mergers and Acquisitions in India (2024), WinSavvy (2024), https://www.winsavvy.com/mergers-acquisitions-india/ (Jan 30, 2025, 9:30 pm)

Pratiksha Thayil, in the article "Air India-Vistara to Reliance Industries-Disney: Mergers and Acquisitions of 2024"[5] NDTV Profit has highlighted how India's aviation sector witnessed significant M&A activity, notably the merger of Air India and Vistara. Owing to the Tata Group's acquisition of Air India in 2022, the consolidation with Vistara aimed to streamline operations and enhance market presence. The merger positioned the combined entity to operate over 5,600 weekly flights, connecting more than 90 destinations. Such strategic moves reflect the broader trend of consolidation in India's aviation industry, aiming to bolster competitiveness and operational efficiency.

Yashonidhi Shukla, in her thesis "The Effect of Competition Law and Abuse of Dominant Position in The Civil Aviation Sector - A Comparative Study,"[6] Has emphasized Sections 3 and 4, which deal with anti-competitive agreements and the abuse of dominant position, respectively. The author discusses how the growth of the aviation sector has brought in a lot of competition law issues that need to be resolved. Due to the thesis being written in the year 2020- 2021, it does not cover the M&A activities that have been covered post-2021. The objective of the researcher has been to study the impact of anticompetitive agreements in the civil aviation sector, thereby leading to an abuse of dominant position. In the final chapter, the researcher has suggested amendments that need to be made to the AAI Act, 1994, and the Competition Act, 2002.

Poonam Dwivedi, in their journal article "Navigating the Skies: An Overview of Aviation Law in India"[7], has very well explored the growing concerns of the Indian civil aviation sector that has undergone significant changes in ownership and M&A activities. Mergers and acquisitions, such as Air India's consolidation with Vistara, have aimed to enhance operational efficiency and market share. Foreign Direct Investment (FDI) policies have also influenced ownership structures, allowing increased international participation. Regulatory developments, including the Open Skies Policy, have encouraged competition and privatization. Despite challenges like financial instability and competition concerns, strategic mergers have played a vital role in shaping India's evolving aviation industry.

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[5] Pratiksha Thayil, *Air India-Vistara to Reliance Industries-Disney: Mergers and Acquisitions Of 2024*, NDTV Profit (Jan 27, 2025, 2:07 PM), https://www.ndtvprofit.com/business/air-india-vistara-to-reliance-industries-disney-mergers-and-acquisitions-of-2024.

[6] Yashonidhi Shukla**,** *The Effect of Competition Law and Abuse of Dominant Position in the Civil Aviation Sector – A Comparative Study* (2021) (unpublished LLM. dissertation, Babu Banarasi Das University)

[7] Poonam Dwivedi, *Navigating the Skies: An Overview of Aviation Law in India*, 5 Int'l J. for Multidisciplinary Res. 6 (2023), https://ssrn.com/abstract=4708702.

Venkatesh Chari, in his thesis, "Modelling the Effect of Multiple Stakeholder Perceptions on Airport Performance,"[8] Emphasized how Government policies have the advent of new lines of Low-Cost Carriers (LCC), burgeoning middle-class citizens, safety, and security as the major reasons for M&A in aviation growth.

Preetu Vijay, in his thesis, "An empirical study of the performance of the aviation industry in India with special reference to selected Airlines"[9] Has categorically covered the Development and Growth, Analysis of Capital Structure, and analysis of Operational Efficiency into broad chapters, whereby discussing the focus on the development of airline companies in India, fundamentals of financial performance and capital structure, and the operating performance of airline companies.

Mamta Sharma, in her thesis, "An Analytical Study on Performance Evaluation of Indian Civil Aviation Sector,"[10] has explored the motivations for doing business activity and economic growth in Aviation. The growth and expansion of trade and tourism is also positively affected by the Indian civil aviation sector. The Concept and Regulatory Framework of the Indian Civil Aviation Sector has also been discussed.

Nitin Ramling Kumbhar, in his thesis, "Mergers & Acquisitions in Domestic Civil Aviation Sector: A Comparative Study of Law and Policies Between India and United States of America"[11] discusses the transactions of how mergers and acquisitions are done to expand the business, but the other side of the story is that it may affect fair competition in the market. The author also explores how Mergers and acquisitions (M&A) are strategic tools for business expansion but may raise antitrust concerns. The Competition Act 2002 ensures fair competition in India, mirroring US Antitrust laws. In civil aviation, M&A has been prevalent in the US since the 1930s, yielding profitable post-merger performance. Conversely, India has seen limited aviation mergers, struggling with regulatory inefficiencies and survival challenges. The author conducts a comparative study of Indian and US frameworks, highlighting the pitfalls in

[8] Venkatesh Chari, *Modelling the Effect of Multiple Stakeholder Perceptions on Airport Performance*, Shodhganga (2019), https://shodhganga.inflibnet.ac.in/handle/10603/309630.
[9] Preetu Vijay, *An Empirical Study of the Performance of Aviation Industry in India with Special Reference to Selected Airlines*, (2019) [University of Rajasthan]) (available at http://hdl.handle.net/10603/484436).
[10] Mamta Sharma, *An Analytical Study on Performance Evaluation of Indian Civil Aviation Sector* (2018) (Kurukshetra University) (available at http://hdl.handle.net/10603/270399).
[11] Nitin Ramling Kumbhar, Mergers & Acquisitions in Domestic Civil Aviation Sector: A Comparative Study of Law and Policies Between India and United States of America, (2022) (Savitribai Phule Pune University) (available at http://hdl.handle.net/10603/486731)

India's regulatory approach and emphasizing the role of competition laws in ensuring market fairness and industry sustainability.

A. Sridhar, in his thesis "Competition Issues in Air Transport Sector and Indian Aviation Policy: A Critical Analysis,"[12] identifies how the air transportation sector is moving towards monopolization and the competition issues in the air transportation sector, as well as the legal measures that can be taken to encourage competition in the sector.

Shivang Gupta, in his research, "Factors Affecting the Performance of Aviation Sector in India"[13] discusses the existing literature that explores the implications of mergers in the aviation industry, focusing on flight frequency, pricing, and operational efficiency. However, distinctions between airline models and contextual factors in emerging markets like India are underrepresented, limiting a comprehensive understanding of M&A outcomes. The research overlooks strategic and regulatory nuances affecting Indian aviation M&As, such as tax policies, infrastructure deficits, and governance models. Non-financial factors like consumer perception, workforce adaptability, and geopolitical variables remain largely unexplored in assessing the full spectrum of M&A impacts.

Sisira Sreekumar, highlights in the journal article, "A Critical Analysis of Cartels in the Aviation Industry"[14] in the existing literature highlights cartelization risks in India's oligopolistic aviation industry, focusing on anti-competitive conduct and regulatory oversight under the Competition Act, 2002. It stresses market dominance and collusion, revealing systemic pricing practices that undermine consumer welfare and fair competition.

Abhijit Phukon, Mitali Konwar & Divya Verma Gakhar, in their research paper, "Impact of Mergers and Acquisitions on Financial Performance of Select Airline Companies in India"[15] have assessed the financial outcomes of airline M&As in India, revealing mixed post-merger performance. While some gains are observed in liquidity and profitability, many mergers suffer due to leadership failures, debt burdens, and poor integration strategies, highlighting inconsistent synergy realization across firms.

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[12] A. Sridhar, Competition Issues in Air Transport Sector and Indian Aviation Policy A Critical Analysis, (2022) available at http://hdl.handle.net/10603/472664

[13] Shivang Gupta, *Factors Affecting the Performance of Aviation Sector in India*, 3 Int'l J.L. Mgmt. & Human. 395 (2020).

[14] Sisira Sreekumar, *A Critical Analysis of Cartels in the Aviation Industry*, 5 Indian J.L. & Legal Rsch. 1 (2023).

[15] Abhijit Phukon, Mitali Konwar & Divya Verma Gakhar, Impact of Mergers and Acquisitions on Financial Performance of Select Airline Companies in India, 1 J. Pub. Admin. 37 (2019).

Anugraha Kandwal, "Acquisition of Air India by TATA Group,"[16]in her literature emphasizes strategic, financial, and operational aspects of the Tata–Air India acquisition, focusing on due diligence, brand legacy, and debt restructuring. However, broader industry-level M&A considerations in aviation remain limited, especially regarding regulatory harmonization and market consolidation across jurisdictions.

Pidsinee Dísa Einarsdóttir, "*Mergers and Acquisition in Aviation Industry,"*[17] the researcher aims to analyse M&A in aviation, where the literature emphasizes synergy, cost efficiencies, and market power. However, studies overlook operational integration, cross-border regulatory challenges, and cultural incompatibility—factors vital for assessing M&A outcomes, especially in differently structured global aviation markets.

Steven Truxal, "*Mergers, Acquisitions, and 'Fair' Competition in the Airline Industry*, in *Legal and Technical Aspects of the Use of Air Space & Space"*[18] the researcher had analysed global M&A in aviation, where existing literature focuses on liberalisation, legacy carrier consolidation, and competitive neutrality. However, it neglects harmonisation of competition enforcement, extraterritorial antitrust challenges, and fair competition clauses in bilateral agreements—vital to effective cross-border M&As.

1.9 Research Gap

The research literature on mergers and acquisitions (M&A) in Indian aviation is marked by a wide sweep of analysis on the operational, legal, and economic aspects of such transactions. Although the scope of research is wide, there are some significant gaps yet to be filled, and more research is invited. Current research provides extensive information about airline consolidation, the M&A mechanics, and the respective industry trends. However, specific information about how small airlines may prepare themselves to be sold and what the respective success criteria might look like is missing.

First, various studies by authors such as Dr. Jay Desai, Nisarg A. Joshi, and Preetu Vijay have analysed the performance operations and financial outcomes of merging firms before and after mergers. Still, such research often highlights financial quantitative measures to a great extent. There exists a lack of detailed qualitative studies that include internal management techniques,

[16] Anugraha Kandwal, *Acquisition of Air India by TATA Group*, 7 Int'l J.L. Mgmt. & Human. 475 (2024).
[17] Pidsinee Dísa Einarsdóttir, *Mergers and Acquisition in Aviation Industry* (2019) (unpublished B.S. thesis, Univ. of Iceland) (on file with Univ. of Iceland Sch. of Soc. Sci.).
[18] Steven Truxal, *Mergers, Acquisitions and 'Fair' Competition in the Airline Industry*, in *Legal and Technical Aspects of the Use of Air Space & Space* 122 (Elżbieta Dynia & Anna Marcisz-Dynia eds., 2019).

employee movements, brand integration problems, and customer perception changes after mergers, all of which are important elements affecting the true success of mergers and acquisitions within the aviation industry.

Secondly, the legal and regulatory contexts have been clearly described in the literature by Nitin Ramling Kumbhar. These studies are, however, predominantly descriptive and do not evaluate the impact of inconsistencies or delays in regulatory reactions on the success of M&A deals. Additionally, though there are comparative perspectives with nations like the United States, as in the case of Kumbhar's thesis, empirical evidence that evaluates the impact of India's unique regulatory context on the success and durability of M&A activities compared to international best practices is lacking. Third, some reports and articles, such as those by Chamakura, Thayil, and Dwivedi, emphasize recent case studies, particularly the Tata Group's acquisition of Air India and its subsequent merger with Vistara. Although these identify trends and strategic reasons, there is little academic evaluation of post-merger integration success, particularly in operational aspects like fleet management, route rationalization, human resource alignment, and technological harmonization. This operational aspect is underexplored, creating a knowledge gap in measuring the internal restructuring dynamics post-M&A.

Abhijit Phukon, Mitali Konwar & Divya Verma Gakhar, in their current literature, overlook strategic, structural, and cultural integration challenges in aviation M&As. It neglects regulatory hurdles, state aid distortions, slot constraints, and human resource assimilation—key factors influencing post-merger sustainability and performance in India's uniquely complex aviation ecosystem.

Steven Truxal, in his literature *Mergers, Acquisitions, and 'Fair' Competition in the Airline Industry*, in *Legal and Technical Aspects of the Use of Air Space & Space,* the research lacks focus on fragmented legal frameworks, outdated ownership controls, and enforcement inconsistencies across jurisdictions. Missing are crucial factors like state aid distortions, fair competition safeguards in Air Service Agreements, and practical challenges in achieving global regulatory convergence in aviation M&A.

Pidsinee Dísa Einarsdóttir, *Mergers and Acquisition in Aviation Industry*

Additionally, writers such as Yashonidhi Shukla and Sridhar discuss competition law, but there is little reference to the long-run effects of mergers on consumer choice, price dynamics, and service quality. With the growing concern for monopolistic conduct and market concentration,

there is a need to undertake a complete analysis of consumer welfare and market competitiveness after mergers, an area not exhaustively discussed in the literature.

The research work by Sisira Sreekumar, insufficiently addresses merger control beyond price-fixing concerns, omitting factors like slot allocation, fleet acquisition delays, ATF taxation, and market entry restrictions. Strategic variables—like service differentiation and regulatory compliance—remain underexplored in assessing merger viability within India's aviation sector.

Lastly, while stakeholders like regulators, management, and investors' attitudes have at times been mentioned, frontline workers' and customers' experiences and attitudes have been mostly unexamined. Venkatesh Chari's thesis does start to touch on this matter, but does not fully address its implications in mergers and acquisitions scenarios.

In conclusion, there is a pressing need for interdisciplinary, stakeholder-oriented, and post-integration research to better comprehend the implications and efficacy of M&A activity in India's aviation industry.

1.10 Chapterisation

1. Introduction

This chapter introduces the research focus: examining recent trends and the dynamics of mergers and acquisitions (M&A) in India's aviation sector from 2020 to January 2025. It introduces the historical context, economic importance, and structural transformation of the civil aviation sector, explaining how M&A strategies have been employed for consolidation, operational efficiency, and financial soundness. The chapter introduces the research problem, objectives, scope, methodology, and hypotheses, and offers a review of relevant literature to support the analysis.

2. Growth and Structural Transformations in Indian Aviation

The Indian aviation sector has experienced rapid expansion, driven by increasing air travel demand, policy liberalization, and infrastructural development. This chapter explores the industry's evolution, highlighting key milestones in ownership changes, privatization, and government interventions. It sets the stage for analysing M&A activities as a strategy for consolidation, financial stability, and market competitiveness.

3. Policy Reforms and Legal Regulatory Framework

The Legal Regulatory Framework governing M&A in Indian aviation is shaped by key legislation. The Aircraft Act, 1934, and Aircraft Rules, 1937, regulate airworthiness and safety. The Open Skies Policy liberalized international operations, while the National Civil Aviation Policy (NCAP) 2016 streamlined airline ownership norms. The Foreign Direct Investment (FDI) policy allows up to 100% ownership under the automatic route. The Competition Act, 2002, ensures fair market practices, and DGCA regulations oversee mergers. These laws collectively influence airline consolidation, ownership structures, and competitive dynamics in India's aviation sector.

Government policies have significantly shaped M&A dynamics in Indian aviation. This chapter examines the role of the Open Skies Policy, Foreign Direct Investment (FDI) regulations, and Civil Aviation Requirements (CARs). It also highlights how the Ministry of Civil Aviation (MoCA) and the Directorate General of Civil Aviation (DGCA) influence airline mergers and ownership structures through evolving policy frameworks.

The Chapter includes comparative studies on the competition and dynamics of the Indian, EU, Chinese, and Brazilian aviation markets. It indicates market regulations, merger control, anti-competitive acts, and market structure. The chapter critically analyses jurisdiction-specific characteristics to provide a comprehensive knowledge base upon which to consider the different trends in global competition in the aviation market.

4. Major Mergers and Acquisitions: Case Studies

This chapter analyses key M&A transactions, such as the Tata Group’s acquisition of Air India and its merger with Vistara. It discusses the financial restructuring, market impact, and competitive positioning of merged entities. Additionally, it explores failed acquisitions, illustrating challenges related to regulatory approvals, financial sustainability, and strategic fit within India’s aviation ecosystem.

5. Market Implications and Post-Merger Impact on the Aviation Industry

The chapter provides an insight into post-merger issues regarding airline competition, particularly the Tata-Air India merger. The study finds changes in market share concerning their effects on the shareholders' wealth, and the consumer effects from price relief to loss of variations in service are critically evaluated. The focus turns to whether mergers create efficiencies or generate monopoly tendencies, and their analysis.

Further, the study considers fare adjustments, route rationalization, and regulatory measures to protect consumer interests and ensure competition. This vast approach provides a bird's-eye view of the merger's socio-economic and legal impact on the aviation ecosystem.

6. Recommendations, Future Outlooks and Conclusion

M&A in Indian aviation faces challenges such as regulatory hurdles, high operational costs, and global economic fluctuations. This chapter explores financial risks, integration complexities, and potential policy reforms to support sustainable growth. It also discusses emerging trends like digital transformation, sustainability, and global airline partnerships, shaping the future

Chapter 2: Growth and Structural Transformations in Indian Aviation

Over the years, the Indian aviation industry has shown amazing growth and structural changes. Policy liberalization, privatization, and increased participation by the private sector have significantly contributed to the expansion process. Merger and acquisition (M&A) played an instrumental role in creating market consolidation, financial strength, and operational efficiency in the aviation industry. This chapter explores the development of the Indian aviation industry, the various growth drivers, government interventions, and the significant role of M&A in restructuring the industry.

2.1 Evolution of the Indian Aviation Industry

The origins of Indian aviation trace back to 1932, when Tata Airlines (now Air India) commenced operations. Following independence, the government nationalized the airline industry under the Air Corporations Act, 1953, leading to a duopoly between Indian Airlines (domestic) and Air India (international).[19] After independence, the government adopted a protectionist policy, culminating in the Air Corporations Act, 1953, under which the sector was nationalized.[20] Under this regime, while Indian Airlines was assigned the domestic routes, Air India controlled all international operations, resulting in a state-sponsored duopoly.[21]

However, the economic reforms of the early 1990s created a paradigm shift. The liberalization policies introduced, including the repeal of the Air Corporations Act of 1994, allowed private carriers into the market. Jet Airways, Air Sahara, and East-West Airlines emerged as new strong competitors in the field, enhancing service and competition.[22] The relaxation of Foreign Direct Investment (FDI) measures in the early 2000s paved the way for further inflow of funds into the sector, enhancing operational capacity and market expansion.[23]

It can further be substantiated by the implementation of an Open Skies Policy, which was further motivated by international collaboration, increasing passenger and cargo traffic.[24] It was in this policy that open access was allowed for foreign carriers into the market and increased the number of air service agreements.

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[19] The Air Corporations Act, 1953, No. 27, Acts of Parliament, 1953 (India).
[20] Rajeev Kumar, *The Indian Aviation Industry: A Historical Perspective*, 48 J. Air L. & Com. 123, 125 (2017).
[21] Government of India, *Economic Survey 2022-23*, Ministry of Finance, available at https://www.indiabudget.gov.in.
[22] Ministry of Civil Aviation, *Annual Report 2021-22*, available at https://www.civilaviation.gov.in/sites/default/files/Annual_Report_2021-22_English.pdf.
[23] Directorate General of Civil Aviation, *Traffic Data 2023*, available at https://www.dgca.gov.in.
[24] Jet Airways, *History and Milestones*, https://www.jetairways.com/en/in/about-us/history.aspx.

The consolidation of the Indian aviation industry through merger and acquisition (M&A) activity did revolutionize the industry. Air India and Indian Airlines merger in 2007, Jet Airways acquisition of Air Sahara in the same year, are perfect examples of how the sector has been pursuing its dreams of operational synergies.[25] Besides alliances and strategic stakes by partners from outside the country, they have made the industry more resilient to economic cycles.

Thus, the growth history of the Indian aviation industry has been ushered in through a succession of reforms and initiatives designed by the market itself. M&A is still a catalyst through which the industry achieves scale efficiencies, financial stability, and improved competitiveness in an ever-changing global environment.

2.2 Phases of Airline Ownership: from Dominating Public Sector to Privatization

The major changes to the Indian aviation system have been due to government policies, market liberalization, and privatization. Airline nationalization was then followed by the gradual movements toward divestment of Air India, all emerging from the shifting patterns of ownership dictated by the Indian economy itself. This paper investigates the three phases in the evolution of airline ownership in India: Nationalization (1953-1991), Liberalization (1991-2012), and Privatization (2012-Present) in terms of their effect on competition, efficiency, and consumer choice in the country.

Nationalization Phase (1953-1991)

Post-independence India saw the state taking control over critical industries, including aviation. The government believed that air travel in the country should always belong to the state so that every region within the country could be well connected. Therefore, it nationalized the remaining airlines through the Air Corporations Act, 1953, and set up Indian Airlines for domestic flights and Air India for international operations.[26]

- **State Monopoly and Operations:** Indian Airlines monopolized domestic routes, while Air India maintained a stronghold in international aviation. Despite limited competition, the public sector carriers provided essential connectivity, especially to underserved regions. However, state ownership often led to bureaucratic inefficiencies and a lack of financial discipline.

[25]Press Information Bureau, Government of India, *Merger of Air India and Indian Airlines Approved*, (Feb. 23, 2007), available at https://pib.gov.in.
[26] Supra note 13.

- **Operational Hurdles:** Operations in Indian Airlines were mainly delayed with their modernization of fleet, and losses are mounting. Political intervention with the accountability problem further worsens the financial problem.

- **Limited Consumer Choices:** The competition substituted for poor service and expensive airfares. Travel was largely limited to the wealthier segments, seeing the growth of the sector as still being restrained.

Liberalization Phase (1991-2012)

In 1991, the liberalization of the Indian economy initiated a wave of reforms that reached the civil aviation sector. Adopting a more market-oriented approach to a previously public-dominated sector was the state's impotent response to what was becoming increasingly evident: the inefficiencies in that sector. The policies inviting private participation effectively ended the public sector monopoly. This phase has included increased competition, innovation, and regulatory challenge.

Entry of Private Airlines - In 1994, government action to liberalize the economy ushered in the Open Skies Policy[27], which permitted the operation of domestic markets for private airlines. This resulted in the initiation of such carriers as Jet Airways, Sahara Airlines, Kingfisher Airlines, and Indigo. They were all overwhelming forces in making the sharpest turnaround. The competitive prices they offered were backed up with high-quality customer service and improved operations. Above all, the entry of private carriers increased connectivity that enabled more people to travel, and contributed to an ever-escalating demand for travel.

Increased Competition and Innovation - The cause of rising competition was attributed to the privatization of airlines. Carrying the notion under Low-cost carriers-LCCs, it centered on providing better prices and devoted services towards air travel, affordable for the middle-income commuters, and airlines continued to venture into more modern fleets with customer-oriented services. Aggressive competition, however, led to the availability of the price war with reduced profit margins and increased financial pressure on the airlines.[28]

Regulatory and Infrastructure Barriers- Though the Directorate General of Civil Aviation (DGCA) was doing well with the regulatory compliance, the overwhelming air traffic built up infrastructure bottlenecks in the state-owned airports administered by the Airports Authority of

[27] Directorate General of Civil Aviation, Annual Report 1994-95, available at https://www.dgca.gov.in.
[28] Airports Authority of India Act, No. 55 of 1994, India Code.

India (AAI). Heavy congestion, poor facilities, and non-operational inefficiencies prevailed in those airports. Hence, the government acknowledged the necessity for private sector participation in airport management, under Public-Private Partnership (PPP) models, to improve airports, such as the Delhi International Airport.[29]

Financial Burden of Airlines and Liquidation- Despite all initial optimism, financial mismanagement along with the unwarranted rise in fuel prices and paths of unsustainable expansions led to the demise of many carriers. By 2012, Kingfisher Airlines had brought its operations to a halt due to the mounting debts. Unsustainable financial discipline and deficient regulatory cross-checks worsened the downfall, which showed a need for corrective measures in the air.[30]

Privatization Phase (2012–Present)

The privatization phase of the Indian aviation sector marks a significant departure from the state-controlled approach that dominated for decades. Faced with mounting financial losses, the government opted to reduce its involvement in aviation operations and encourage private sector participation. The privatization phase began with reforms in airport management through Public-Private Partnerships (PPP) and culminated in the disinvestment of Air India in 2021. This period also saw increased regional connectivity through government schemes like UDAN and improved operational efficiency across the sector.

This section elaborates on the key milestones of the privatization phase, analysing its impact on the financial health of carriers, passenger experience, and infrastructure development.

Early Privatization Initiatives (2012–2016) - In the early 2010s, the government-initiated measures to reduce public sector dominance in the aviation sector. Recognizing the success of private airport operators, the government began exploring further PPP models to modernize airport infrastructure.

- Airport Modernization: In 2013, the Airports Authority of India (AAI) facilitated the privatization of key airports, including the Delhi and Mumbai International Airports, managed by private entities like the GMR Group and the GVK Group. These operators

[29] Airports Economic Regulatory Authority of India Act, No. 27 of 2008.
[30] Directorate General of Civil Aviation, Report on Kingfisher Airlines Financial Collapse (2012), available at https://www.dgca.gov.in.

invested in modern infrastructure, enhancing passenger comfort and operational efficiency.[31]

- **Financial Management:** The government retained minority stakes in these airports, benefiting from private investments without compromising regulatory oversight. The success of this model encouraged further privatization.
- Tata Advanced Systems Limited (TAS)[32], a subsidiary of the Tatas Group, is constructing a US$ 113.63 million helicopter factory in Adhibatla, a village near Hyderabad's international airport, in the Special Economic Zone for Aerospace (SEZ). However, the company has formed a joint venture with US-based Sikorsky Aircraft to produce airspace components in India

Policy Reforms and Expansion (2016–2018)- To expand the reach of air travel, the government launched the UDAN (Ude Desh Ka Aam Nagrik) scheme in 2016 under the Regional Connectivity Scheme (RCS). The initiative aimed to connect underdeveloped regions with major cities by offering financial subsidies to airlines.

- **Affordable Air Travel:** UDAN reduced operational costs for airlines on regional routes, resulting in lower airfares and increased accessibility for passengers from Tier II and Tier III cities.[33] Mumbai and Delhi airports have already been privatized and are upgraded to an expected US$ 4 billion investment between 2006-16. Greenfield airports operate in Bangalore and Hyderabad. These are based on a total investment of over US$ 800 million by private consortia.[34]
- **Enhanced Regional Connectivity:** By 2018, over 30 underserved airports were operationalized, significantly boosting regional tourism and trade.

Financial Distress and Strategic Disinvestment (2018–2021)- Despite the progress in airport privatization and regional connectivity, Air India continued to face severe financial distress. The carrier accumulated significant losses due to operational inefficiencies, outdated fleet management, and intense competition from low-cost carriers.

[31] Airports Authority of India, Annual Report 2013-14, https://www.aai.aero.
[32] *Cms For Mrsam*, TATA ADVANCED SYSTEMS, https://www.tataadvancedsystems.com./ (last visited Feb 23, 2025).
[33] Ministry of Civil Aviation, UDAN Scheme Guidelines (2016), https://www.civilaviation.gov.in.
[34] Shivang Gupta, Factors Affecting the Performance of Aviation Sector in India, 3 Int'l J.L. Mgmt. & Human. 395 (2020).

- **Mounting Losses:** By 2020, Air India's total debt had exceeded ₹60,000 crore ($7.2 billion), forcing the government to subsidize its operations. The financial burden necessitated the airline's strategic disinvestment.[35]
- **Revised Disinvestment Strategy:** In **2020**, the government relaxed disinvestment terms, including allowing bidders to absorb a portion of the airline's debt. The decision increased private sector interest in acquiring the national carrier.
- **Tata Group's Acquisition of Air India (2021):** In a landmark event, the Tata Group acquired Air India in 2021 for ₹18,000 crore ($2.4 billion). This acquisition was significant as it brought Air India back under its founding company's ownership after 68 years.
- **Strategic Acquisition:** Tata Group's acquisition was seen as a strategic move to restore Air India's financial stability and operational efficiency. The conglomerate aimed to integrate Air India's operations with its other aviation ventures, including Vistara and AirAsia India.[36]
- **Operational Restructuring:** Tata Sons announced plans to invest in fleet modernization, enhance service quality, and streamline operational expenses to make Air India competitive on international routes.

Expansion of PPP (Public-Private Partnership) in Airports (2021–2022) - Following the success of earlier privatization efforts, the government expanded the **PPP model** to manage additional airports. The **Adani Group** emerged as a major player, winning bids to operate six airports, including **Ahmedabad**, **Lucknow**, **Jaipur, Guwahati, Thiruvananthapuram**, and **Mangaluru**.

- **Infrastructure Development:** Private operators invested heavily in enhancing airport infrastructure, focusing on passenger facilities, advanced air traffic management systems, and sustainability.
- **Revenue Generation:** Airports managed under PPP models demonstrated higher profitability and improved service delivery compared to state-managed airports.

[35] Comptroller and Auditor General of India, Air India Financial Report (2020), https://www.cag.gov.in.
[36] Airports Economic Regulatory Authority of India, Annual Report (2022), https://aera.gov.in.

Impact on Operational Efficiency (2022–2023) - Privatization significantly enhanced operational efficiency in both airline management and airport operations. Airlines adopted modern fleet management technologies, optimized routes, and implemented cost-reduction measures.

- **Air India's Turnaround:** After privatization, Air India streamlined operations, reduced delays, and improved its on-time performance. The airline also announced fleet expansion plans to regain market share in the international segment.[37]
- **Customer Satisfaction:** Privatized airports reported higher passenger satisfaction scores, with improved facilities, reduced wait times, and enhanced security procedures.

Ongoing Challenges and Future Prospects (2023–Present): While privatization has generally benefited the aviation sector, challenges remain. High fuel prices, infrastructure constraints, and regulatory oversight issues pose risks to sustainable growth.

- **Sustainability Concerns:** The government has encouraged airport operators to adopt sustainable practices, including energy-efficient infrastructure and carbon-neutral operations.[38]
- **Enhanced Regulatory Oversight:** The Directorate General of Civil Aviation (DGCA) has strengthened its oversight mechanisms to ensure safety and operational compliance across private carriers.[39]

2.3 Key Growth Drivers & Motives behind M&A in Aviation Industry:

Many motives refer to the reason behind M&A, but three significant motives have been specifically identified, and these are synergy, agency, and hubris.[40] After two decades of unprecedented growth, the Indian aviation industry has been driven by several key phenomena: the growing middle-class population, improved infrastructure, and proactive government policy. An understanding of these growth drivers is important to evaluate the trajectory of this sector and its place in the economic development of the country.

- ❖ **Synergy**

[37] Tata Sons, Press Release on Air India Operations (2022), https://www.tata.com.
[38] Ministry of Civil Aviation, Environmental Sustainability Report (2023), https://www.civilaviation.gov.in.
[39] Directorate General of Civil Aviation, Performance Reports (2023), https://www.dgca.gov.in.
[40] Berkovitch, Elazar, and Narayanan, M, P. (1993, September). ProQuest. Retrieved from Motives for takeovers: An empirical investigation: https://search.proquest.com/docview/211942951?accountid=28822

Synergy motives arise when there is an economic gain expected through the merging of their resources. Synergy motives are basically for increasing the value to shareholders. Such merger activity occurs when the merged firms optimize shareholder gains for both the target and the bidder firm, aiming for the expected result. If the target has power for bargaining, it may refuse to sell the business in total, or if any other bidder's participation is there, then total gain will mean a higher gain for the target. [41] The idea has been taken from corporate diversification theory as it assumes that large businesses can gain from merging separate, rather independent assets that can be coordinated among two parties. One may gain from having broader access to various sources, products, and activities, enabling the company to offer diversified services and output rather than fully employing itself to one form of production output, potentially encountering downward demand.

- **Agency:**

The motives of an agency are in line with the high self-interest of the management of the acquiring company to other firms, which tends to be of much benefit to their company. They optimize the possibility of taking over another firm of its type to support the skills and gains through competition against other rivals. This makes the target shareholder have some sort of bargaining power. Thus, share values would increase through how much the acquiring company would acquire. The greater amount is appropriated by the appropriating firm; the total gain becomes less, thus could result in negative total gains. This management decreases the total value of the combined company.[42]

- **Hubris**

The hubris hypothesis postulates that when management decides to acquire, it does so without the existence of synergistic motives. Since in such a case there is no synergy, even instead of being termed an acquisition, the deal to acquire the target company is customarily associated with a transfer between the target and acquirer companies.[43]

- **Rising Middle-Class Demand**

The population of the middle class is fast expanding in India and is contributing towards an increase in demand for both domestic and international air travel. The rising disposable income

[41] *Id.*
[42] Pidsinee Dísa Einarsdóttir, *Mergers and Acquisition in Aviation Industry* (Univ. of Iceland, Sch. of Soc. Sci., June 2019) (unpublished B.A. thesis).
[43] *Id.*

has made air travel possible for a large section of the population. According to predictions by the International Air Transport Association (IATA), India will be the third-largest aviation market in the year 2030 after the United States and China.[44] Rising demand for air travel has been fuelled by the lower fare structure maintained by LCCs.

IndiGo and SpiceJet are the two low-cost carriers that continue to rule the Indian skies, bringing affordable and accessible air travel. Government schemes like the Regional Connectivity Scheme (RCS) under the UDAN initiative enabled the flight service to reach unserved regions of the transport system, thus fostering their economic inclusiveness.[45] The rising urbanization and the need for faster modes of transport have rendered aviation one such honoured form of transport.

- **Infrastructure Development**

Strong infrastructure has been one of the essential supports for the passenger traffic growing in leaps and bounds. Ridiculously huge investments have been made towards airport infrastructure development by the Airports Authority of India (AAI) and private companies under the model of Public-Private Partnership (PPP).[46] Projects of a grand size like Navi Mumbai International Airport and Jewar Airport highlight the commitment of the government towards augmenting airport capacity.

Systems of the UDAN have helped develop regional airports. The government has revived and made operational airports that had not been functioning, providing last-mile connectivity, and stimulating regional air traffic.[47] Proper navigation systems and dimensions of cargo infrastructure are among the other ways the operations are being facilitated.

Furthermore, air cargo modernization by developing dedicated air cargo terminals is enhancing the logistics system of the nation.[48] With the anticipated surge in e-commerce, the demand for air freight services will likely rise, reinforcing the greater need for infrastructure development.

- **Government Policies**

[44] International Air Transport Association, *India 2030: Emerging as the World's Third-Largest Aviation Market*, https://www.iata.org (last visited Mar. 31, 2025).
[45] Ministry of Civil Aviation, *UDAN Regional Connectivity Scheme*, https://www.civilaviation.gov.in (last visited Mar. 31, 2025).
[46] Airports Authority of India, *Airport Development Projects*, https://www.aai.aero (last visited Mar. 31, 2025).
[47] Ministry of Civil Aviation, *UDAN Regional Connectivity Scheme*, supra note 21.
[48] Airports Auth. of India, *Air Cargo Infrastructure*, https://www.aai.aero (last visited Mar. 31, 2025).

The Indian aviation industry has skyrocketed leaps and bounds over the past, say, 10 years, a growth spurred mostly by government support. Recognizing the strategic importance of the sector, the government of India has adopted progressive measures to make operations simple and investments lucrative while improving regional connectivity. These include the National Civil Aviation Policy of 2016 and the provision for 100% Foreign Direct Investment (FDI) under the automatic route.

1. National Civil Aviation Policy

The NCAP, or National Civil Aviation Policy, was introduced in 2016 as a legal approach towards reforms in the aviation sector. The framework provided for all regulations in a transparent manner and structured format to face the challenges posed by the unregulated Indian civil aviation sector. Introducing this policy put an end to the major issues that had been plaguing the industry beforehand, such as vague rules, unclear foreign investment rules, and regional inaccessibility. All these issues were resolved by introducing legal reforms aimed at balanced growth across all segments of the aviation sector.

Legal Reforms Under NCAP, 2016

The NCAP introduced several legal reforms that transformed the operational and regulatory environment of the aviation sector.

A. Regional Connectivity Scheme (RCS)

The UDAN (Ude Desh Ka Aam Nagrik) scheme, launched under NCAP, was a pivotal reform aimed at enhancing regional connectivity. It provided financial support to airlines to operate on unserved and underserved routes. Key legal provisions included:

- **Viability Gap Funding (VGF):** Under UDAN, the government offered VGF to airlines to cover the gap between operational costs and affordable ticket pricing.[49]
- **Regulatory Concessions:** Airlines received waivers on airport charges and reduced Aviation Turbine Fuel (ATF) taxes for regional flights.
- **Route Allocation:** The Directorate General of Civil Aviation (DGCA) ensured fair route allocation through transparent bidding mechanisms.

[49] Ministry of Civil Aviation, *UDAN Regional Connectivity Scheme*, https://www.civilaviation.gov.in (last visited Mar. 31, 2025).

These reforms significantly improved accessibility to air travel in Tier II and Tier III cities.[50]

B. Relaxation of the 5/20 Rule

The controversial 5/20 Rule required airlines to operate for 5 years and maintain a fleet of 20 aircraft before being permitted to conduct international flights. Under NCAP, the government retained the fleet requirement but removed the 5-year operational mandate.[51]

This reform lowered barriers to international expansion, encouraging newer airlines like Vistara and AirAsia India to enter global markets. It also aligned Indian regulations with international aviation standards, fostering fair competition.

C. Aircraft Leasing and Maintenance

India has historically relied heavily on foreign lessors for aircraft, contributing to financial strain on domestic airlines. Recognizing this challenge, the NCAP introduced:

- **Legal Framework for Domestic Leasing:** Establishing regulatory guidelines to encourage Indian leasing companies, reduce dependence on foreign lessors.[52]
- **Incentives for MRO (Maintenance, Repair, and Overhaul):** Tax concessions and relaxed customs duties were introduced to promote domestic MRO facilities. Airlines were encouraged to conduct aircraft maintenance within India, boosting employment and reducing operational costs.

This reform has enhanced India's aviation self-sufficiency and attracted foreign investment in the MRO sector.

D. Passenger Rights and Consumer Protection

The NCAP emphasized **passenger rights** by mandating greater transparency and efficient dispute resolution mechanisms. Legal reforms included:

- **Pricing Transparency:** Airlines were required to disclose the total fare, inclusive of all taxes and fees, preventing misleading fare advertisements.

[50] *Id.*
[51] Directorate General of Civil Aviation, *Revised 5/20 Rule Guidelines*, https://www.dgca.gov.in (last visited Mar. 31, 2025).
[52] Airports Auth. of India, *Aircraft Leasing Framework*, https://www.aai.aero (last visited Mar. 31, 2025).

- **Cancellation and Refund Policies:** Standardized refund procedures and cancellation policies ensured fair treatment of consumers.
- **Grievance Redressal:** The DGCA implemented stricter guidelines for airline accountability in cases of flight delays, cancellations, and service deficiencies.[53]

These reforms enhanced passenger confidence and improved service quality across the industry.

2. **Foreign Direct Investment (FDI) in Aviation**

Foreign investment drives growth in the capital-intensive aviation industry; therefore, the Indian government recognizes the need for liberalized Foreign Direct Investment (FDI) policies to attract capital and expertise from around the world. The rapid development of the aviation sector, driven by foreign investments, has provided the infrastructure for increased competition and greater consumer choices.

Law on Foreign Investments in Aviation

Regarding the foreign investments in the aviation sector, the Consolidated FDI Policy of 2024 lends clarity and predictability to investors. This gives the policy a transparent regulatory framework that promotes foreign investment in either airline operations or airport infrastructure development.

1. **100% FDI under the Automatic Route:**

- Foreign Investors can do 100% investments in scheduled domestic airlines with no prior government approval.[54]
- This allows for the infusion of capital quickly to expand the fleet, diversify routes, and improve operations.

2. **49% FDI for Foreign Airlines:**

- Foreign airlines are allowed to pick up 49% equity stakes in Indian carriers, subject to government approval.[55]
- This lays down the framework for the promotion of strategic partnerships for the transfer of operational know-how and technologies.

[53] Directorate Gen. of Civil Aviation, *Passenger Rights and Grievance Mechanism*, https://www.dgca.gov.in (last visited Mar. 31, 2025).
[54] Dept for Promotion of Industry. & Internal Trade, *FDI Policy Circular 2024*, https://www.dpiit.gov.in (last visited Mar. 31, 2025).
[55] *Id*.

3. **Foreign Direct Investment in Airport Infrastructure:**

- 100% FDI is permitted with an automatic route for development, including Greenfield (new) and Brownfield (existing) airports.[56]
- Private sector participation through Public-Private Partnership (PPP) initiatives has fast-tracked airport modernization.

These regulations provide legal certainty and ensure investor confidence by establishing clear ownership and operational guidelines. They are administered by the Ministry of Civil Aviation and the Directorate General of Civil Aviation (DGCA) to ensure that the workings are transparent and accountable.

4. **Attracting International Investments**

Foreign capital was lured into India's aviation market by its liberalized FDI policies. International airlines and investment companies undertook strategic investments aimed at consolidating their positions in the Indian aviation landscape.

- ***Etihad Airways – Jet Airways:***

In 2013, under the FDI framework, Etihad Airways acquired a 24% stake in Jet Airways to enhance its network across India.[57]

This venture ensured the operational synergies and offered strength to the international operations of Jet Airways.

- ***Singapore Airlines – Vistara:***

Singapore Airlines partnered with Tata Sons to launch Vistara in 2015.[58]

With a 49% foreign equity holding, Singapore Airlines infused global expertise into Vistara's premium services and operational strategies.

- ***AirAsia Berhad – AirAsia India:***

AirAsia Berhad, in conjunction with Tata Sons, established AirAsia India with a 49% stake.[59]

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[56] Airports Auth. of India, *Airport Development Projects*, https://www.aai.aero (last visited Mar. 31, 2025).
[57] Press Trust of India, *Etihad Acquires 24% Stake in Jet Airways*, THE ECON. TIMES (Mar. 31, 2025), https://economictimes.indiatimes.com.
[58] Press Trust of India, *Singapore Airlines and Tata Launch Vistara*, THE HINDU (Mar. 31, 2025), https://www.thehindu.com.
[59] Press Trust of India, *AirAsia Berhad and Tata Sons Form AirAsia India*, BUSINESS STANDARD (Mar. 31, 2025), https://www.business-standard.com.

The partnership has introduced the low-cost carrier (LCC) model, making air travel very affordable in India.

These strategic alliances have strengthened the Indian aviation sector by introducing global best practices, service quality, and competitive dynamics.

Legal Safeguards and Regulatory Oversight

While FDI offers significant benefits, it necessitates robust regulatory mechanisms to prevent anti-competitive behaviour and ensure national security. The following legal safeguards are in place:

1. **Regulatory Monitoring**:
    - The DGCA and the Ministry of Civil Aviation closely monitor FDI transactions to ensure compliance with sector-specific regulations.[60]
    - Approvals are subject to scrutiny to prevent foreign control over strategic assets, particularly in cases of cross-border mergers.
2. **Competition Regulation**:
    - The **Competition Commission of India (CCI)** evaluates mergers, acquisitions, and joint ventures to detect and prevent monopolistic practices.[61]
    - The CCI's role ensures fair competition, protecting consumer interests and market integrity.
3. **National Security Considerations**:
    - The government retains the right to reject foreign investments on grounds of national security or economic stability.
    - Sensitive investments, particularly in airport infrastructure, undergo rigorous vetting by multiple agencies.

These safeguards maintain a balance between encouraging FDI inflows and protecting national interests.

[60] Directorate General of Civil Aviation, *Aviation Regulatory Guidelines*, https://www.dgca.gov.in (last visited Mar. 31, 2025).
[61] Competition Comm'n of India, *Merger Control Regulations*, https://www.cci.gov.in (last visited Mar. 31, 2025).

2.4 Role of Low-Cost Carriers (LCCs) in Market Expansion

- **Introduction of LCCs**

Low-Cost Carriers (LCCs) will emerge as the most disruptive development of the Indian aviation environment, because, with their low airfares, less complicated services, and more efficient operation, LCCs democratize air travel and make it available for the middle-income class. IndiGo, SpiceJet, and GoAir (which is now Akasa Air) have been responsible for creating the domestic aviation market.[62]

With the geographical vastness of India, and several parts without rail or road links, the demand for affordable and convenient travel by air would seem great. The fact that the LCCs came forth as a form of niche service devoid of frills, with point-to-point connectivity, led to lower operational costs with high utilization of aircraft. Not only did it extend the domestic aviation market, but it also enhanced the pressure on full-service carriers to adopt cost-efficient models.

The main policy for LCC expansion was the NCAP (National Civil Aviation Policy) 2016, which provided impetus and encouraged competition and allowed for the regional connectivity scheme UDAN (Ude Desh Ka Aam Nagrik) to further reinforce the current trend of LCC growth. These schemes have brought widespread air travel within the reach of India.

- **Effect on Passenger Growth**

The introduction of LCCs has contributed a lot towards the exponential rise in passenger traffic in India. The consequent reduction in the cost of travel via air eliminates all possibility of the addressed market being confined only to first-time flyers and price-sensitive travellers. LCCs thus captured more than 70% of the market share in India and counted themselves among the contenders of the skies well into the year 2023.[63]

- **Pricing as an Element of Competition**

Cheap tickets helped grow passenger numbers exponentially. While full-service carriers offer premium services and a wealth of amenities on board, low-cost carriers typically cut the frills and give a cheaper deal to customers.

Further, using arbitrary pricing models, tickets with LCC airlines are priced according to demand and season, achieving optimum load factors. As a result, prices for air travel have now

[62] Directorate General of Civil Aviation, *Indian Aviation Market Share Report 2023*, https://www.dgca.gov.in (last visited Mar. 31, 2025).
[63] *Id.*

matched those of premium railway services such as the Rajdhani Express or even the Shatabdi Express, which have also acted as a catalyst for the shift in favour of air travel.

- **Regional Connectivity and Market Penetration**

LCCs have contributed to bettering regional air connectivity. They have gone to underserved and entirely unserved airports across our country, under the aegis of the UDAN scheme, providing cheap connectivity to far-flung areas.[64] This initiative has helped promote tourism and business travel and further stimulated regional economic growth.

Examples include:

1. SpiceJet has begun flights to the smaller cities of Darbhanga and Belagavi under UDAN.

2. IndiGo started building its fleet of ATRs- Avions de Transport Régional (French: Regional Transport Airplanes) to operate short-haul regional areas.

- **Introduction to First-Time Flyers**

One other great achievement of the low-cost carriers is the induction in the market of first-time flyers from tier-II and tier-III cities. Government surveys have suggested that a fair chunk of LCC passengers were those who had been working long-distance on trains or buses. Special marketing campaigns aimed at making flying out cheap and aspirational have helped hasten this conversion.

- **Challenges Faced by LCCs**

While low-cost carriers have contributed appreciably toward creating a big market for air travel, their operational model presents a big challenge. Profitability in the eyes of cut-throat competition remains at the fore. Some of the salient challenges faced by low-cost airlines are brought to light here:

A. High Fuel Costs

Aviation Turbine Fuel (ATF) comprises nearly 40% of an airline's operating cost in India. Many countries impose lower taxes on the ATF, but those on Indian carriers are often greater than 25-

[64] Ministry of Civil Aviation, *UDAN Regional Connectivity Scheme*, https://www.civilaviation.gov.in (last visited Mar. 31, 2025).

30% at the state level.[65] Hence, the inclusion of ATF in the GST framework has not brought up for discussion.

In effect, low-cost carriers work on a very narrow profit margin and are, therefore, susceptible to global crude price increases. Compared with FSCs, LCCs have limited ability to recover the proportion of new fuel costs due to their cheap fare structure.

B. Airport Charges and Lack of Infrastructure

LCCs try to avoid operating costs by mostly using smaller secondary airports. Nevertheless, major metropolitan airports are indispensable when connecting high-traffic routes. Airport charges are grossly high for the major airports like Delhi and Mumbai, leaving LCCs mostly on the poorer end of the scale.[66] Fast rotation is a key area of profit for low-cost carriers, and congestion in infrastructure at these airports leads to delays in turnaround.

C. Competitive Pricing Environment

The Indian aviation sector is rife with cut-throat price competition. To woo passengers, LCCs often declare fare wars with promotional fares that may barely cover the costs of operation. And while this tactic raises market shares for a very short time, it almost always causes protracted periods of bleeding cash.

In such an environment of cut-throat price wars, the very survival of smaller LCCs becomes precarious without effective price control. The rebranding of GoAir as Akasa Air and the economic woes of Jet Airways reflect the high risks involved in pursuing unsustainable pricing strategies.[67]

D. Regulatory and Financial Challenges

Despite liberalized FDI in the aviation sector, raising capital was often a challenge for LCCs. Foreign airlines can invest a maximum of 49% in Indian carriers; however, persuading any level of investment continues to be difficult because of market uncertainties and regulatory intricacies.[68]

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[65] International Air Transp. Association, *Fuel Cost Impact on Indian Airlines*, https://www.iata.org (last visited Mar. 31, 2025).
[66] Airports Auth. of India, *Airport Congestion and Infrastructure Reports*, https://www.aai.aero (last visited Mar. 31, 2025).
[67] Press Trust of India, *Airfare Competition Intensifies Amid Rising Fuel Costs*, THE ECON. TIMES (Mar. 31, 2025), https://economictimes.indiatimes.com.
[68] Dept for Promotion of Industry. & Internal Trade, *FDI Policy Circular 2024*, https://www.dpiit.gov.in (last visited Mar. 31, 2025).

Furthermore, the entire legal framework on aircraft leasing, and, for that matter, on financial reorganization, remains antique and complex. Most LCCs lease their aircraft rather than buy them, which exposes them to foreign exchange risk and the burden of compliance with various regulations.

2.5 Government Interventions: Make in India Initiative, UDAN Scheme, and Air India Disinvestment

Government interventions like the Make in India initiative, UDAN Scheme, and Air India disinvestment aim to boost domestic manufacturing, enhance regional air connectivity, and restructure public enterprises. These policies significantly reshape India's aviation sector, influencing market dynamics and investment opportunities.

2.5.1 The Make in India Initiative (2014)

The Make in India Project was introduced to promote manufacturing in India for industries like aviation. Furthermore, it aims to reduce reliance on imported aircraft and improve the indigenous capability to manufacture and provide Maintenance, Repair, and Overhaul services for aircraft.[69]

A. Legal Framework for Aviation Manufacturing

The Civil Aviation Requirements (CAR), issued by the Directorate General of Civil Aviation (DGCA), stipulates the regulatory framework for aircraft manufacturing and MRO operations in India. The government has also rolled out policy measures to boost the sector, including:

- 100 percent FDI under the automatic route for MRO facilities.
- A reduced GST on MRO services for the promotion of competitiveness.
- Incentives for Aircraft Leasing through International Financial Services Centres (IFSCs).

B. Growth of Domestic Manufacturing and MRO Services

The Make in India campaign has spurred interest from global aircraft manufacturers such as Airbus and Boeing, who joined hands with local companies. Hindustan Aeronautics Limited (HAL) and Tata Advanced Systems are also in the process of ramping up their participation in aircraft component manufacturing.

[69] Ministry of Civil Aviation, *Make in India for Aviation*, https://www.civilaviation.gov.in (last visited Mar. 31, 2025).

MRO services have also taken off as several large-scale facilities spring up in Maharashtra and Andhra Pradesh, costing airlines considerably less to operate while also creating jobs.

C. Legal and Operational Challenges

Regulatory delays, infrastructure bottlenecks, and the high import duties on parts related to aviation pose challenges. In terms of opportunities that should be addressed, for example, are streamlining procedures for approvals, providing tax incentives, and more liberalization of the aviation manufacturing ecosystem.

2.5.2 UDAN (Ude Desh Ka Aam Nagrik) Scheme (2016)

The UDAN scheme was launched in 2016 as a flagship program of regional connectivity under the National Civil Aviation Policy (NCAP), envisaged to enhance regional connectivity by providing affordable air travel and operational support to airlines on underserved and unserved routes.[70]

A. Legal and Regulatory Framework

The scheme is based on the model of Viability Gap Funding (VGF), wherein the government provides its support to the airlines to ensure that there is a viable gap of operational cost against passenger fare. Other regulatory agencies involved in this regard are:

- Ministry of Civil Aviation (MoCA): Formulates and oversees the implementation of UDAN.
- Airports Authority of India (AAI): Develops airports under this scheme.
- State Governments: Grant tax concessions on aviation fuel, as well as reduce operational charges.

B. Achievements of UDAN

The scheme for UDAN has positively impacted the air connectivity:

- Over 50 new airports have successfully commenced operations since its inception, and connectivity to the more remote areas has been expanded.[71]
- With more than 450 new routes being opened for operation, low-cost air travel into areas previously underserved has now become feasible.

[70] Ministry of Civil Aviation, *National Civil Aviation Policy (NCAP), 2016*, https://www.civilaviation.gov.in (last visited Mar. 31, 2025).
[71] Airports Authority of India, *UDAN Scheme Impact Report*, https://www.aai.aero (last visited Mar. 31, 2025).

- Traffic in regional airports has seen a significant jump, thus contributing to local economic growth.

C. Legal Challenges and Future Prospects

On the one hand, the scheme has shown some results, but it has also faced challenges in terms of financial sustainability and participation by airlines. Some operators could not sustain their routes due to an inadequate number of passengers. On the other hand, going forward, the government is trying to promote fair financial transparency and put in incentives for the airlines through regulatory reforms.

2.5.3 Air India Disinvestment (2021)

The disinvestment of Air India in 2021 stands as one of the most notable privatization initiatives in Indian aviation history. With mounting financial losses, the government recognized the need to divest its ownership to reduce fiscal stress and introduce private-sector efficiencies. After multiple unsuccessful attempts, the government finalized the sale of Air India to the Tata Group, marking a transformative step in aviation sector reform. This move not only alleviated the government's financial burden but also fostered competition and operational efficiency within the aviation market.

Disinvestment Legal Framework

The disinvestment of Air India took place within the constructs of a Strategic Disinvestment Policy, framed for keeping the involvement of the government to a minimum in commercialized sectors while retaining its hold on strategic sectors. This privatization was fundamentally dependent on two laws:

1. **The Air Corporations (Transfer of Undertakings and Repeal) Act, 1994:** It was this legislation that enabled restructuring and subsequent privatization of the public sector airlines-allowing transfer of assets, property, liabilities, and the running business of Air India into private persons.[72]
2. **Disinvestment Guidelines of the Department of Investment and Public Asset Management (DIPAM):** DIPAM gave certain clarity of process for strategic

[72] Air Corporations (Transfer of Undertakings and Repeal) Act, 1994, No. 13, Acts of Parliament, 1994 (India).

disinvestment, assured transparency, multi-stage bidding for competitive bidding, and fair evaluation of proposals.[73]

Further, for ownership transfer, the Companies Act, 2013 and the Competition Act, 2002 were applicable and kept in tune with the corporate laws without allowing any anti-competitive practices. The legal framework was thus aimed at the company's broader privatization agenda, enabling it to achieve greater efficiency in public enterprises.

Objectives of Disinvestment

The disinvestment of Air India with multiple objectives:

1. **Reducing Fiscal Burden:**

According to the government, Air India has sustained losses of over ₹6,000 crore and is, therefore, a very large drain on government resources. So, the idea was to rid the government of its recurring financial support by transferring ownership to a private player.[74]

2. **Upgrade Operational Efficiency:**

Private ownership was expected to infuse management professionalism, cost optimization, and enhanced service quality. The operational capabilities of the Tata Group in aviation, through Vistara and AirAsia India, further promote this objective.

3. **Enhancing Market Competition:**

Reduced government control would foster a competitive environment for private carriers to consolidate their market share, thus setting a precedent for further privatizations into other sectors.

4. **Promoting Consumer Interests:**

The privatization was intended to bring in better consumer satisfaction through competitive price performance, quality of service, and connectivity.

The Acquisition by the Tata Group

[73] Dept. of Investment and Pub. Asset Mgmt., *Disinvestment Policy Guidelines*, https://www.dipam.gov.in (last visited Mar. 31, 2025).
[74] Ministry of Civil Aviation, *Air India Disinvestment Report*, https://www.civilaviation.gov.in (last visited Mar. 31, 2025).

As a successful bidder during the 2021 bidding process, the Tata Group acquired 100% ownership of Air India along with its subsidiaries Air India Express and AI SATS.[75] The symbolic acquisition took on particular importance as the Tata Group founded Air India back in 1932 and lost the airline to nationalization in 1953. The return of Air India to Tata's control symbolically closes the circle in the history of Indian aviation.

The winning bid of about ₹18,000 crore comprised a combination of cash payments and takeover of Air India's outstanding debt. Tata's acquisition plan included:

- **Revamping Air India**: An upgrade of the aging fleet of aircraft for more fuel-efficient and pleasurable flying.
- **Brand Revival:** Restoration to premium airline status by improving service.
- **Operational Synergies:** Integration of Air India with Tata's other existing airline companies.

Legal Challenges and Regulatory Oversight

The transaction was subject to extensive regulatory scrutiny, ensuring compliance with Indian competition laws. The **Competition Commission of India (CCI)** evaluated the deal under the **Competition Act, 2002,** to prevent the creation of a monopolistic market.[76]

Key legal considerations included:

- **Market Competition**: Assessing whether Tata Group's increased market presence would lead to anti-competitive behaviour.
- **Consumer Welfare**: Ensuring that the acquisition resulted in better service quality and fair pricing for consumers.
- **National Security**: Retaining government oversight on strategic routes and national security-sensitive operations.

While the disinvestment faced minimal legal challenges, opposition from labour unions and concerns over employee job security were addressed through assurances of continued employment for one year post-privatization. Additionally, the government retained responsibility for a portion of Air India's legacy debt through a Special Purpose Vehicle (SPV).

[75] Press Trust of India, *Tata Group Acquires Air India*, THE HINDU (Oct. 8, 2021), https://www.thehindu.com.
[76] Competition Commission of India, *Approval of Tata Group's Acquisition of Air India*, https://www.cci.gov.in (last visited Mar. 31, 2025).

Conclusion

Comprehensive legal research findings on the evolution and structural shifts in India regarding the aviation industry support the conjecture that the mergers and acquisitions (M&A) that have taken place recently have produced an effect; every acquisition has increased the degree of market consolidation and shifted the industry landscape toward a more concentrated one. The further growth of the sector is because of the driving forces, which include the increasing middle-class demand, infrastructure development, and government policies, like the National Civil Aviation Policy (NCAP) and UDAN, which significantly aided the sector's growth. However, it is at this stage of liberalization of markets that bigger airlines have started leaning toward mergers and acquisitions as a major strategic tool for financial viability, operational efficiencies, and competitive advantages. The privatization of Air India, consolidation of Tata Group's airline holdings, and other significant transactions put the trend very clearly in perspective: the dominant players rely on acquisitions or mergers with competitors to consolidate their presence further in the market.

Indeed, these mergers and acquisitions have enhanced cost-effective efficiencies, connectivity, and service delivery by airlines. However, the net result of the increased merging and the acquisition is that the industry developed a structure more oligopolistic structure. Of course, dominant airlines enjoy autonomy over the price mechanism, routes allocated to them, and market share availability for themselves because of the reduced number of independent carriers. Misleading competition may thereafter be limited. This confirms what is internationally experienced with the airline industry. The consolidation generally leads to high barriers to entry with reduced consumer choice and raised eyebrows over monopolistic or anti-competitive conduct.

From a legal perspective, since M&A of airlines in India at present occurs under a regulatory framework comprising the Aircraft Act, 1934, the Competition Act, 2002, and various policies framed under the Directorate General of Civil Aviation (DGCA) and the Competition Commission of India (CCI), airline M&As would also be under the regulation of these laws. However, with all the continued consolidations, regulatory scrutiny is drawn towards maintaining a level playing field for competition, protection of consumer interest, and ensuring that new entrants are not driven away from entering the market.

In conclusion, even though mergers and acquisitions have provided financial viability and growth to the aviation sector in India, there needs to be careful legal and policy intervention to

keep a perfect balance between efficiency in markets and competition. Future reforms in regulation should consider all challenges that put to discourage pricing control, promote accessibility, and establish fair market practices for establishing long-term, sustainable growth in the Indian aviation industry.

Chapter 3: Policy Reforms and Legal Regulatory Framework in Indian Aviation

The aviation sector in India has undergone significant policy reforms and legal transformations, which have shaped its growth into one of the world's fastest-growing markets. One such prominent trend witnessed in the recent past is the uptrend in mergers and acquisitions (M&A) aimed at market consolidation. Companies merge or acquire smaller players to expand their market shares, optimize networks, and improve operational efficiencies. Airlines gain a network through a merger or acquisition that would take years to build alone.[77] While such consolidations offer economic benefits, they also pose legal and regulatory challenges, particularly concerning competition laws, consumer rights, and industry monopolization.[78]

The central postulate of the research suggests that recent M&A activities within the Indian aviation industry have resulted in a slightly compressed market structure to lessen competition and raise entry barriers to new entrants. This is consistent with the trend seen in the overall context of the airline industry, which indicates that dominant carriers reap from scale economies, but also control the price strategies and access to key routes that render the market oligopolistic.[79] Therefore, regulatory scrutiny by the Directorate General of Civil Aviation (DGCA), the Ministry of Civil Aviation (MoCA), and the Competition Commission of India (CCI) also now needs to be more intense to control market fairness and anti-competitive practices.[80]

The proposed study is intended to decipher the strategic motivations behind the M&A transactions, the legal hurdles posed before the entities merged, and the aspect of competition law in making the aviation market balanced. In the wake of the NCAP, 2016, liberalization of FDI and Open Skies agreements, viewed as promoters of the expansion of airlines, it becomes imperative that the legal assessment of regulatory frameworks be thorough.[81] The Competition Act, 2002, becomes very crucial in making legal assessments of mergers and acquisitions, in

[77] Directorate General of Civil Aviation, *Mergers & Acquisitions in Indian Aviation*, https://www.dgca.gov.in (last visited Mar. 31, 2025).
[78] Competition Comm'n of India, *Market Concentration and Airline Mergers: Regulatory Challenges*, https://www.cci.gov.in (last visited Mar. 31, 2025).
[79] Press Trust of India, *Indian Aviation Moves Toward Consolidation*, THE ECON. TIMES (Mar. 31, 2025), https://economictimes.indiatimes.com.
[80] Ministry of Civil Aviation, *Policy on Airline Consolidation and Competition*, https://www.civilaviation.gov.in (last visited Mar. 31, 2025).
[81] National Civil Aviation Policy, 2016, MoCA, https://www.civilaviation.gov.in (last visited Mar. 31, 2025).

that it takes consumer interests into account and guards against creating monopolies in the airline sector.

The study compares the competition law with market competition within the aviation industry in India, the EU, China, and Brazil, depicting their significant legal frameworks, regulatory authorities, and merger control regimes and how they affect competitive dynamics, making more subtle global and jurisdiction-specific lead insights all over the analysis.

India

The competition regime in India is governed under the Competition Act of 2002, which is executed by the Competition Commission of India (CCI). The Act deals with anti-competitive agreements, abuse of dominance, and the regulation of mergers and acquisitions. Growth in the Indian aviation sector has led to intense competition among carriers. However, high operational costs and the regulatory environment remain unfavourable. In April 2025, the Indian parliament passed the "Protection of Interests in Aircraft Objects" bill to harmonize domestic legislation with the Cape Town Convention to strengthen protections for aircraft lessors and thus foster investor confidence.[82]

"It is by far the biggest step taken by the Indian government to show its support to the international and domestic aircraft leasing community while recognising the role of lessors and financiers. It is also a testament to the importance airlines in India play — this will provide them with a big advantage by allowing many closed doors, with respect to financing of leases, to be opened," explained aviation law expert, Nitin Sarin, Managing Partner, Sarin Law & Co.[83]

The European Union

Competition policy in the European Union descends from the Treaty on the Functioning of the European Union (TFEU); Article 101 is directed against anti-competitive agreements, and Article 102 lays down prohibitions against abuses of dominant positions. The European Commission is responsible for the enforcement of a harmonised approach across member states. The European Union has further liberalized air transport among member states and opened it for competition within its borders. A major development in this regard is the

[82] Rajya Sabha Passes the Protection of Interests in Aircraft Objects Bill, THE HINDU (Apr. 8, 2025), https://www.thehindu.com/news/national/rajya-sabha-passes-the-protection-of-interests-in-aircraft-objects-bill/article69399796.ece.
[83] *Id.*

agreement from February 2018, which permits every EU airport to allow operations of flights between an EU member state and India by any EU airline.[84]

China

Competition law in China is contained in the Anti-Monopoly Law (AML), which is enforced by the State Administration for Market Regulation (SAMR). The AML regulates anti-competitive agreements, abuse of dominance, and merger control.[85] Heavy state involvement characterizes the aviation industry in China, with most airlines being state-owned. Those efforts to promote domestic aircraft manufacturing have been part of initiatives like the operation of the COMAC C919. In September 2024, Brazil's Total Linhas Aéreas was in talks to purchase C919 aircraft, showcasing an increase in China's influence in the global aviation market.[86]

Brazil

The current competition regime of Brazil is governed by Lei nº 12.529/2011, with enforcement from the Administrative Council for Economic Defense (CADE). The law prohibits unreasonable competitive practices and provides for the control of mergers.[87] Consolidation moves have been attempted in the Brazilian aviation market with an aim to strengthen the sector. In January 2025, the government endorsed a merger project between Gol and Azul airlines with the capacity to address an entirely dominant carrier controlling nearly 60% of the domestic market. The intention was to save the industry and jobs, although it raised concerns over curbing competition and increasing fares.[88]

3.1 Analysis of Indian Legal Framework

3.1.1. Historical Development of Aviation Laws

The historical background of aviation law starts in the colonies, and the first laws for aeronautics were mostly British laws. The regulation of civil aviation in India before

[84] European Commission, Status of Aviation Relations: India, https://transport.ec.europa.eu/transport-modes/air/international-aviation/status-aviation-relations-country/india_en.
[85] Citizen Consumer and Civic Action Group, Competition Law, and Its Significance to the Consumer (Part 3) — A Global Comparative Analysis, *Medium* (Dec. 22, 2023).
[86] Luciana Novaes Magalhaes & Gabriel Araujo, Brazil Government Supports Gol-Azul Merger to Strengthen Airline Sector, Reuters (Jan. 28, 2025), https://www.reuters.com/markets/deals/brazil-government-supports-gol-azul-merger-strengthen-airline-sector-2025-01-28.
[87] Ganesh9891, A Comparative Analysis of the Competition Act in India and Other Jurisdictions' Competition Laws: Assessing Frameworks, Similarities, and Best Practices, *Legal Service India* (Apr. 8, 2025), https://www.legalserviceindia.com/legal/article-12130-a-comparative-analysis-of-the-competition-act-in-india-and-other-jurisdictions-competition-laws-assessing-frameworks-similarities-and-best-practices.html.
[88] Ministry of Civil Aviation, Aircraft Safety Regulations, https://www.civilaviation.gov.in.

independence remained largely an affair through British legal instruments, which subsequently became Indian statutes, such as the Aircraft Act, 1934, and the Aircraft Rules, 1937.[89] They established safety standards for aviation, formats of operation, and supervision by the government, which formed the historical basis for the existing modern regulatory framework.

A. Overview of the Aircraft Act, 1934

The Aircraft Act, 1934, remains the main law governing the aviation sector in India.[90] It was passed to control aircraft operations, licensing, airworthiness standards, and safety in aviation. This Act applies to both civil and military aviation, thus giving the government the flexibility to regulate any aspect of air travel.

There have been multiple amendments to the Aircraft Act, keeping in view the evolving international aviation standards set by the ICAO and IATA.

B. Aircraft Rules, 1937: Detailed Regulatory Framework

As of 2025, India's aviation sector is governed by a blend of legislation, government policies, and regulatory frameworks that cover airport infrastructure, aircraft operations, safety, and economic regulation.

The Aircraft Rules, 1937, framed under the Aircraft Act, 1934, impose detailed rules of operational safety, maintenance, and licensing.[91] The Aircraft Rules are changed from time to time to incorporate new technology and international best practices. For instance, amendments were made that enforced stringent background verification and security measures for airline staff and passengers, considering rising security threats.

The stringent safety conditions imposed under the Aircraft Rules have contributed immensely to aviation safety in India. The Act has undergone amendments to align with international aviation standards set by the International Civil Aviation Organization (ICAO) and the International Air Transport Association (IATA).[92] Therefore, ICAO compliance in India has improved, thus elevating India's standing in aviation safety standards in global appraisal.

The Aircraft Act, 1934, and the Aircraft Rules, 1937, do not explicitly contain provisions governing mergers and acquisitions (M&A) in the aviation sector.

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[89] *The Aircraft Act*, No. 22 of 1934, (India).
[90] Directorate General of Civil Aviation, About DGCA, https://www.dgca.gov.in.
[91] Supra Note 82.
[92] Int'l Civil Aviation Org. (ICAO), *Convention on International Civil Aviation*, Dec. 7, 1944, 15 U.N.T.S. 295.

Aircraft Registration and Ownership Transfer (*Aircraft Act, 1934, Section 5*) indirectly impacts M&A in the aviation industry. This section mandates that all aircraft in India must be registered with the Directorate General of Civil Aviation (DGCA). Any change in ownership (which occurs in M&A transactions) must comply with DGCA regulations regarding aircraft registration.

The liberalization of India's economy in the 1990s initiated a wave of policy reforms that transformed the aviation sector, shifting it from a state-controlled monopoly to a competitive, market-driven industry. These reforms facilitated foreign investment, competition, and market expansion, encouraging mergers and acquisitions (M&A) as a strategy for airlines to gain market share, enhance operational efficiency, and survive financial crises.

Regulatory oversight of M&A in the aviation sector is critical to ensure market stability, prevent monopolistic practices, and safeguard consumer interests. Key institutions such as the Directorate General of Civil Aviation (DGCA), the Ministry of Civil Aviation (MoCA), and the Competition Commission of India (CCI) play a pivotal role in approving, regulating, and monitoring mergers and acquisitions in the sector.

The Airports Authority of India Act, 1994, governs the management, development, and operation of airports by the Airports Authority of India (AAI). AAI oversees civil aviation infrastructure, air traffic management, and provides CNS/ATM services.

Airports Economic Regulatory Authority of India (AERA), 2008 regulates aeronautical charges, passenger service fees, and tariffs at major airports. This ensures transparency and competitiveness in airport operations.

The Bharatiya Vayuyan Adhiniyam, 2024, enacted to replace the colonial-era Aircraft Act, 1934, modernizes India's aviation regulatory framework in alignment with global standards. The Act primarily governs aircraft design, manufacturing, maintenance, operation, and safety, ensuring enhanced oversight through the Directorate General of Civil Aviation (DGCA), Bureau of Civil Aviation Security (BCAS), and Aircraft Accidents Investigation Bureau (AAIB). Key features include streamlined regulatory processes, centralized appeals to the government, expanded authority for safety and certification, and clear delineation of responsibilities among aviation bodies.

However, the Act does not contain explicit provisions on mergers and acquisitions (M&A) in the aviation sector. M&A activities remain governed by external frameworks such as the

Competition Act, 2002, the Companies Act, 2013, FDI policy, and DGCA's operational control requirements. While the BVA ensures operational continuity and regulatory compliance, any change in ownership or control resulting from M&A must undergo separate scrutiny by bodies like the CCI and DGCA, ensuring sectoral safety and competition neutrality.

The key legal frameworks governing aviation M&A include the *Companies Act, 2013*, *Competition Act, 2002*, *Foreign Exchange Management Act (FEMA), 1999*, and *Insolvency and Bankruptcy Code, 2016*.

3.1.2 Aviation Mergers and Acquisitions: Governance of Regulatory Authorities

1. The Ministry of Civil Aviation (MoCA) Directorate General of Civil Aviation (DGCA)

Regulatory Exposition of MoCA

The primary authority in policymaking in the sector of civil aviation is the Ministry of Civil Aviation (MoCA) in India.[93] Preparation of policy documents that regulate matters about air transport, safety standards, airport infrastructure, and airline operations pertain to MoCA. The critical overview of M&A transaction approval involves compliance with:

- Foreign investment policies in the framework of FDIs in India.

- National security considerations regarding ownership by airlines.

- Strategic aviation policies toward promoting fair competition and consumer protection.

It also has the responsibility of security clearances for foreign investments made in Indian airlines under the Foreign Exchange Management Act (FEMA) and the Consolidated FDI Policy.[94]

Foreign Investment in India and Security Clearance

A foreign investment transaction in the aviation sector must secure a security clearance from the MoCA. This applies to:

- Investment in limited stakes in Indian carriers by foreign airlines (49% maximum).[95]
- Mergers between Indian carriers with foreign shareholders.

[93] Ministry of Civil Aviation, "Aviation Policy Framework," https://www.civilaviation.gov.in.
[94] Foreign Exchange Management Act, No. 42 of 1999, INDIA CODE (1999).
[95] Directorate Gen. of Civil Aviation, FDI Regulations, https://www.dgca.gov.in.

- Joint ventures between domestic airlines and foreign investors.

The FDI policy in aviation regulates FDI under FEMA, allowing 100% of FDI in airport infrastructure but limiting the foreign ownership in Indian airlines to 49% under the automatic route.[96] Any M&A deal that is higher than these threshold limits require approval from government authorities, which ensures national security and the interests of the economy.

2. Directorate General of Civil Aviation (DGCA) and Its Role in Aviation M&A

Licensing and Operational Approvals

The Directorate General of Civil Aviation (DGCA) is a statutory body that enforces safety and operational regulations in India's aviation sector. Under the Aircraft Act, 1934, and Aircraft Rules, 1937, DGCA can:

- Grant or revoke an Air Operator's Certificate (AOC) for the merged airlines.
- Ensure compliance with aircraft and safety regulations during M&As.
- Examine operational viability and fleet integration post-merger.
- Changes in the management and operational structure post-M&A must be envisioned and approved by DGCA.

During M&A operations, DGCA assesses whether the merged entity will be able to smoothly run and meet the expectations of passenger safety and regulatory standards.

Airworthiness and Fleet Integration

In general terms, airline mergers must properly integrate fleets and obey all safety requirements. The DGCA stipulates:

- All aircraft must meet prescribed airworthiness standards before being integrated into the merged entity.[97]
- The required regulatory training is delivered to flight crew and maintenance personnel for operating merged airlines.
- Operational safety audits are conducted post-merger to minimize risk factors imposing airline integration.

[96] Press Information Bureau, "FDI in Aviation Sector" (2022).
[97] Directorate General of Civil Aviation, "Airworthiness Regulations," https://www.dgca.gov.in.

An example is that the DGCA supervised fleet harmonization and compliance with safety standards before granting operational approval for the Jet Airways-Air Sahara merger in 2007.[98]

The governance process of M&A in Indian aviation is highly regulated, with foreign investment and security clearances being governed by the MoCA and operational and safety clearance being the prerogative of the DGCA. Both these regulatory agencies play an important role in ensuring that M&A transactions in aviation satisfy the requirements of national security, safety regulations, and economic policies.

There are, however, many initiatives India can adopt to promote greater efficiency in M&A approvals in aviation, including:

- Streamlining of approval processes will reduce delays.
- Reviewing the FDI restrictions will, in turn, invite foreign investments.
- Improvement of post-merger operational guidelines will ensure seamless integration of airlines.

Thus, addressing these issues will enhance the competitiveness and sustainability of the aviation industry in India, where M&A transactions are expected to catalyse growth, efficiency, and innovation in the industry.

3.1.3. The Competition Commission of India (CCI)

Merger and acquisition activities in the aviation industry in India have increasingly surged over the last twenty years. These drove the consolidation efforts triggered by economic liberalization and deregulation, as well as financial distress among airlines. While mergers and acquisitions can provide certain benefits-enhanced operational efficiency, better route connectivity, and improvement in financial viability-there are also concerns about issues related to market concentration, lessened competition, and consumer welfare.

The most important regulating body on M&A in the Indian aviation sector is the Competition Commission of India (CCI). Under the Competition Act, 2002, the Commission would have jurisdiction over the transactions that have the potential of entering anti-competitive behaviour, particularly the ones which might have "appreciable adverse effect on competition" (AAEC).[99] This paper examines the strategic drivers of M&A in Indian aviation, the legal hurdles faced

[98] Ministry of Civil Aviation, "Jet Airways-Air Sahara Merger Case Study," (2007).
[99] Competition Act, No. 12 of 2002.

after a merger, and the contributions of antitrust policies in creating a space conducive to competition in the market. The Competition Act, 2002, serves as India's primary antitrust legislation, ensuring free and fair competition. The Act prohibits anti-competitive agreements, abuse of dominant position, and M&A transactions that adversely affect competition.

Cartel in the Aviation Industry

The cartel in the aviation industry has the potential to generate huge business in India, owing to the growing working class and the increasing disposable incomes, which, along with other favourable socioeconomic conditions, will work wonders towards the economic growth of India. The whole aviation sector is almost considered an oligopolistic market. The reason being that due to regulations and heavy cost involvement it is not open to many players and thus only a limited number of big firms, potent enough to affect the size of the market, collaborate here into an oligopoly, where every player's behaviour in the market is greatly affected by the behaviour of others. Hence, in oligopolistic companies, there is a tendency to collaborate to avoid actions adverse to their collective welfare.[100]

A cartel creates a framework of collusion and formal agreements that can occur when such competitors engage in price and production quantity fixing, and so on. Theoretically, any industry can develop a cartel. However, it works and makes sense in an oligopoly with few competitors. Such cartels are more stable as it is much easier to regulate prices and control supply when the industry produces entirely interchangeable goods than when it produces distinctive products. In such cases, there would have been some shifts in individual market shares for cartel member firms. Cartelization permits the parties to reach an agreement concerning a production fixation conclusion, which enables each party to produce an equal quantity of goods or services, maximizing profits. All companies take this approach; therefore, an oligopolistic competitive environment is diluted, and a monopolistic market is created. The market is thus more favourable to market participants than to consumers due to wrong asset allocation and price fixing.[101]

Applicability of the Act to M&A in Aviation

[100] Sisira Sreekumar, A Critical Analysis of Cartels in the Aviation Industry, 5 *Indian J.L. & Legal Resch.* (Christ [Deemed to be] Univ., Bangalore, India), ISSN: 2582-8878.
[101] Shipra Choudhuri, Ruchi Dixit and Rajesh Tiwari, Issues and challenges of Indian aviation industry,4 ISSN 2319,2399-2402(2015).

Under Sections 5 and 6 of the Act, any merger or acquisition exceeding the prescribed asset or turnover thresholds requires CCI approval before completion.[102] The thresholds (as per 2023 amendments) for mandatory CCI approval include:

- Assets exceeding ₹2,000 crore (approx. $250 million) in India or ₹1,000 crore (approx. $125 million) in global transactions.
- Turnover exceeding ₹6,000 crore (approx. $750 million) in India or ₹3,000 crore (approx. $375 million) globally.

This ensures that only significant transactions with potential competitive impact are scrutinized.

"Appreciable Adverse Effect on Competition" (AAEC) Test

Under Section 20(4) of the Act, the CCI assesses whether an M&A transaction leads to AAEC.[103] Factors considered include:

- Market share concentration post-merger
- Barriers to market entry for new competitors
- Reduction in consumer choices and an increase in prices
- Impact on technological innovation and service quality

If an M&A transaction is likely to reduce competition substantially, the CCI may block, modify, or approve it with conditions.

Appreciable Adverse Effect under the Competition Act, 2002 (AAEC)

A cartel is one form of anti-competitive behaviour, most harmful to the economy. Such practices do not furnish any substantial benefits, either economic or social, for such would annul any good defenses against the losses suffered by consumers and society. Hence, these are outlawed by all antitrust laws and made punishable as a crime in several countries. Uniquely, these cartels destroy the economy as witnessed via counterfeit price hikes observable in all cartel modalities. Ultimately, consumers and other trade establishments are losers with cartelization. They are not limited to monopolizing a particular good but also prohibit several

[102] Competition Comm'n of India, *Threshold Limits for M&A*, https://www.cci.gov.in.
[103] Supra note 86.

private players from entering the market. Such a creation of a cartel would be difficult and unsustainable in the face of intense competition within the market.

Cartels inflict economic harm mainly because of their conspicuousness. Typical instances of cartel scenarios include simulated price increases. Ultimately, consumers and various businesses are the requisite losers when cartelism takes place. Cartels do not simply fix the price of a commodity; they also prevent other private entities from entering an open market. If market contestation is great, such a formation of a cartel would be difficult and untenable. Cartels are examples of horizontal anti-competitive behaviour. The workings of cartels are said to be extremely complex and vary depending on the number of participants and the characteristics of the market. In some other instances, cartel members may not outwardly appear to be conspiring, but their actions provide evidence of coordinated behaviour in defense of market forces, as they are.[104]

Abuse of Dominant Position Post-Merger

Section 4[105] The Act prohibits "abuse of dominance", which includes:

- Predatory pricing (offering unreasonably low fares to eliminate competitors).
- Unfair pricing strategies post-merger, affecting consumers.
- Restrictive trade practices, such as route monopolization.

For example, if an M&A leads to one airline controlling over 50% of domestic routes, the CCI may investigate potential market abuse concerns.

With an eye to the Competition Act, 2002, the Indian aviation industry has witnessed a considerable amount of consolidation by way of mergers and acquisitions (M&A). On the issue of mergers and acquisitions, Section 20(4) of this Act offers indications through which the appreciable adverse effect on competition (AAEC) is assessed. These indications include market share, barriers to entry, and the effect on consumers.

- **Market Share**

Market share is a vital indicator of market power for any industry. High concentration of markets can lead to monopoly behaviour, convulsively diminishing competition and harming consumer interests, as is one apt example is the Air India-Vistara merger in Indian Aviation.

[104] Supra note 87.
[105] *Id.*

This merger gave birth to a mammoth entity that potentially puts a red flag on the aspect of competition as it holds on to a very large share of the market. An examination conducted using the Herfindahl-Hirschman Index (HHI) demonstrated a substantial increase in the market concentration concerned, implicating anti-competitive outcomes.[106]

- **Barriers to Entry**

Barriers to entry preclude new competition from entering a market, thereby limiting competition. Within the Indian aviation sector, numerous regulatory and economic barriers have been identified.[107]:-

Fleet and Equity Requirements: Civil Aviation Requirement stipulates that new entrants should have a minimum fleet size and sufficient equity, which places a huge financial burden on them. This requirement becomes, therefore, a deterrent for potential entrants and, thus, protects the interests of the existing players.

Route Dispersal Guidelines: The regulations require airlines to operate on the lesser-paying sectors to ensure regional connectivity. This obligation, while being socially desirable, is taxing the resources of incoming entrants, thus rendering the entry into the market less attractive.

Slot Allocation at Airports: The allocation of landing and take-off slots at airports seems to protect incumbent airlines through "grandfathering" rights and effectively curtails access for new entrants. Such practices injure competition by limiting the ability of new entrants to acquire necessary operational slots.

High operational costs: The aviation industry is characterized by very high fixed and operational costs, with extremely expensive ATF and high taxation; these financial costs of entry push away possible new entrants. And there will be some level of anti-competitive practice.

These barriers thus provide a setting where these earlier players can consolidate power, which may lead to anti-competitive practice.

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[106] Khanwani, Divya, and Suneel Kumar. "Reviewing Merger Control Regime and Analysing Competition in the Aviation Industry: Tata-Air India Case Study." *NLIU CBCL*, 12 July 2022, https://cbcl.nliu.ac.in/competition-law/reviewing-merger-control-regime-and-analysing-competition-in-the-aviation-industry-tata-air-india-case-study/.

[107] Antitrust and Aviation: Reviewing the Indian Civil Aviation Sector, IndiaCorpLaw (Oct. 2019), https://indiacorplaw.in/2019/10/antitrust-aviation-reviewing-indian-civil-aviation-sector.html.

Impact on Consumers: The most critical goal of competition law is the protection of consumer interests. M&A, where competition goes down, can harm consumers as follows:

Higher Rates: Generally, as the competition reduces, the ticket prices are higher because now the major airlines will not be bothered by competition. The consolidation of major airlines in India raises concerns regarding fares being increased in the future.[108]

Quality of lower service: Because of the absence of competition, the service providers become complacent, and hence the quality of the service decreases. Less choice with less frequency of flights and overall lesser service is experienced by customers.

Limited choices: Market concentration usually results in a reduction in the number of airlines operating in any given market, thus reducing the choices available to consumers. In such cases, the consumers would now be dependent on a few dominant carriers, thereby removing or at least relaxing the otherwise stringent competitive pressures for driving innovation and services oriented to customers.

3.1.4. The Companies Act, 2013

The salient feature of corporate governance in India is provided by the Companies Act, 2013. This legislation lays down the whole gamut of provisions regarding mergers and acquisitions (M&As), including amalgamation, demerger, and corporate reorganization in the aviation sector. This law also includes procedures and stipulates necessary approvals of shareholders, creditors, and the NCLT so that it is possible for airlines to merge legally and by the regulations.

Mergers and acquisitions are vastly reformed under the Company Act of 2013 to facilitate and regulate M&As in varied industries such as aviation. The principal provisions pertinent to M&As are the following:

The Shareholders and Creditors' Approval: Sections 230 to 236[109] mandate that a scheme of amalgamation or arrangement is subject to approval by shareholders and creditors. In other words, more than three-fourths in value consideration of the creditors or class of creditors and shareholders must give their assent to the scheme. This provides a powerful safeguard that those with vested interests must agree with the proposed restructuring.

[108] Arjun Kapur & Akash Hogade, A Multifaceted Examination of the Ramifications from CCI's Approval of the Air India and Vistara Merger, NLIU CBCL Blog (Dec. 7, 2023), https://cbcl.nliu.ac.in/competition-law/a-multifaceted-examination-of-the-ramifications-from-ccis-approval-of-the-air-india-and-vistara-merger/.
[109] The Companies Act,2013.

Cross-Border Mergers: Section 234[110] of the Act permits cross-border mergers between Indian companies and foreign companies from jurisdictions notified by the Central Government. Such mergers require prior approval from the Reserve Bank of India (RBI) and must comply with prescribed regulatory norms.

National Company Law Tribunal (NCLT) Powers: In a manner that is vital and legally bound by the NCLT, the approval of mergers and demergers in the Indian aviation sector is established. Any proposed scheme of merger or demerger is filed before the NCLT for sanction. The NCLT will thus be the authority that governs statutory regulation, fairness, and protection of stakeholders.

Through the Companies Act, 2013, particularly Sections 230-232, the NCLT exercises judicial oversight over corporate restructuring processes, ensuring that mergers and demergers are not only commercially viable but also legally sound. The requirement for obtaining approvals from shareholders, creditors, and regulatory bodies such as the Directorate General of Civil Aviation (DGCA) and the Competition Commission of India (CCI) underscores the multi-tiered scrutiny that mergers undergo before they can take legal effect.

Moreover, the tribunal evaluates whether the scheme of merger or demerger adheres to the principles of fairness, non-monopolization, and financial prudence. It ensures that the interests of all stakeholders, including minority shareholders and creditors, are adequately protected. This scrutiny is particularly significant in the aviation industry, where mergers and acquisitions impact market competition, airline connectivity, consumer pricing, and employment stability.

3.1.5. Foreign Exchange Management Act (FEMA), 1999

FEMA, the Foreign Exchange Management Act of 1999, takes into consideration a critical corner in foreign exchange transactions in India, aiming thus towards external trade facilitation, promotion of orderly development, as well as maintenance of the foreign exchange market. In the context of mergers and acquisitions activity in aviation, FEMA is very crucial for properly regulating cross-border transactions, ensuring compliance with foreign investment policies, as well as safeguarding economic interests.

The Foreign Exchange Management Act, that is FEMA 1999, forms the base for foreign exchange transactions regulations for the country. Its object is to facilitate external trade, promote orderly development, and maintain the foreign exchange market in the country. From

[110] *Id.*

the perspective of M&As in the aviation sector, FEMA becomes important as it governs cross-border transactions, foreign investment regulation, thereby maintaining economic interest.

Unlike FERA, which had a more restrictive approach, FEMA adopted a liberal framework for foreign exchange by concentrating on its management rather than regulation.[111]

Heavy capital account transactions are frequently associated with mergers and acquisitions in the aviation sector, which calls for compliance with FEMA provisions to meet the standards for transfers or issues of security between residents and non-residents.[112]

Compliance with these regulations is essential to facilitate smooth cross-border mergers and acquisitions, ensuring that foreign investments align with India's broader economic policies.[113]

3.1.6. Insolvency and Bankruptcy Code (IBC), 2016

The *Insolvency and Bankruptcy Code (IBC), 2016,* facilitates the resolution of distressed airlines through mergers and acquisitions. In the Jet Airways insolvency case, the National Company Law Tribunal (NCLT) approved the Kalrock-Jalan consortium's acquisition, demonstrating the application of IBC in aviation M&A. The Code provides a structured process for bidders to acquire bankrupt airlines while ensuring compliance with regulatory approvals from MoCA and DGCA.

3.1.7. Tax neutrality

Mergers & acquisitions (M&A) within the civil aviation sector of India can be quite complicated and largely revolve around the provisions of the Income Tax Act of 1961. Understanding these tax ramifications becomes essential to transact in a manner compliant with the law, yet more beneficial in terms of taxation.

Amalgamation and Tax Neutrality

[111] Legal Research Team, "The Foreign Exchange Management Act and Its Impact on Foreign Investment in India," Alacrity Corporate Solutions Pvt. Ltd. (Mar. 5, 2024), https://alacritycorp.com/2024/03/05/the-foreign-exchange-management-act-and-its-impact-on-foreign-investment-in-india/.
[112] Mandeep Kaur, Foreign Exchange Management Act, in Business Environment (INFLIBNET, 2019), https://ebooks.inflibnet.ac.in/mgmtp12/chapter/foreign-exchange-management-act/.
[113] Chowdhury, Ayush, and Raghuwanshi, Rishika. "Strengthening of Foreign Investment in India Owing to the Foreign Exchange Management (Cross Border Merger) Regulations, 2018." NLIU CBCL, April 22, 2018. https://cbcl.nliu.ac.in/company-law/strengthening-of-foreign-investment-in-india-owing-to-the-foreign-exchange-management-cross-border-merger-regulations-2018/.

The Income Tax Act defines 'amalgamation' as the merger of one or more companies into another company or two or more companies combining to form a new entity. For the amalgamations to be tax-neutral, they must satisfy certain conditions.[114]:

- All properties and liabilities of the amalgamating companies become those of the amalgamated company.

- Shareholders holding at least 75% of the shares in the amalgamating companies must become shareholders of the amalgamated company.

When these criteria are satisfied, the transfer of capital assets during the amalgamation is not regarded as a transfer for capital gains purposes, thereby ensuring tax neutrality.

Carry Forward of Losses and Unabsorbed Depreciation

Section 72A[115] allows the amalgamated company to carry forward and set off the accumulated loss and unabsorbed depreciation of the amalgamating company, subject to prescribed conditions. This provision is of great help to the capital-heavy aviation industry, where companies incur a very high level of losses in the initial years of their operations.[116]

Capital Gains Tax Implications

In M&A transactions, the transfer of capital assets typically attracts capital gains tax. However, specific exemptions under Section 47 of the Income Tax Act can apply:

- Transfers during an amalgamation where the amalgamated company is an Indian entity may be exempt.
- Shareholders exchanging shares during mergers may be taxed on the profit earned unless the transaction qualifies for exemptions under Section 47.

The taxability of M&A transactions in the Indian aviation industry requires a thorough understanding of the Income Tax Act and associated laws. Thus, structuring and due diligence

[114] KPMG, "Taxation of Cross-Border Mergers and Acquisitions: India 2016," Institute for Mergers, Acquisitions, and Alliances, April 27, 2016, https://imaa-institute.org/publications/taxation-of-cross-border-mergers-and-acquisitions-india-2016/.
[115] Income Tax Act, 1961.
[116] PKC Mgmt. Consulting, Must Know Tax Implications of Mergers and Acquisitions in India, PKCINDIA.COM (Jan. 21, 2025), https://pkcindia.com/tax-implications-mergers-and-acquisitions-india/.

assume a sine qua non role in achieving tax efficiency and due compliance. Expert legal and tax counsel should be sought to delineate with ease the labyrinth of these transactions.

3.1.8. SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (SAST)

The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, commonly known as SEBI (SAST), govern the acquisition of substantial shares and control in listed companies. In the aviation sector, these regulations are crucial during mergers and acquisitions involving public airlines like IndiGo or SpiceJet. When a company acquires 25% or more voting rights or gains control, it must make an open offer to the remaining shareholders. SEBI (SAST) thus ensures transparency, investor protection, and fair practices in aviation M&A deals.

The SEBI (SAST) Regulations, 2011 ensure transparency and protect shareholder interests during M&A, particularly vital in the post-pandemic aviation sector, where consolidation surged. In the Air India–Vistara merger, SAST ensures fair disclosure and equitable treatment, especially in the share swap: Tata Sons will hold 74.9%, and Singapore Airlines 25.1% via swap and ₹2,059 crore infusion. Such regulation safeguards minority shareholders, maintaining market confidence and ensuring wealth preservation amidst structural shifts in aviation ownership.

While SEBI (SAST) is robust in theory, its effectiveness is often limited by the strategic structuring of deals to bypass open offer triggers or due to delayed intervention. In sectors like aviation, with frequent financial distress and strategic international alliances, minority shareholders often bear risk without corresponding protection, unless SEBI proactively monitors and enforces the spirit of the law.

3.2. Comparative Analysis of the competition laws and market dynamics within the aviation industries of the European Union (EU), China, Brazil, with India

This study explores competition laws and market dynamics in the aviation sectors of the EU, China, Brazil, and India. The researcher aims to comparatively analyse regulatory frameworks, antitrust enforcement, and policy structures to understand how each jurisdiction fosters competitive, sustainable aviation markets.

3.2.1. Legal Framework of Analysis of the Treaty on the Functioning of the European Union the European Union (EU)

The EU has developed an elaborate structure to regulate competition in its internal market, characterized primarily by the Treaty on the Functioning of the European Union. This frame of reference is of pertinence to aviation, which has undergone serious liberalization and consolidation in recent years. The objectives of competition law in the EU, therefore, are to provide for fair competition between parties, to prevent monopolistic practices against companies, and to safeguard consumer interests.

Article 101 TFEU: Prohibits agreements between undertakings that may prevent, restrict, or distort competition within the internal market. This includes practices such as price-fixing, market-sharing, and other collusive behaviours.[117]

Article 102 TFEU: Addresses the abuse of a dominant position by one or more undertakings within the internal market or a substantial part of it. Abusive practices may include imposing unfair purchase or selling prices, limiting production, or applying dissimilar conditions to equivalent transactions.[118]

Regulatory Authority: European Commission

Application to the Aviation Industry

With the liberalization processes, the aviation sector in Europe has undergone radical transformations in terms of competition, fares, and connectivity. The European Commission (EC) is a key player in keeping a watch over the competition rules regarding the aviation industry. It deals with mergers and acquisitions, assesses state aid, and investigates restrictive practices.

The EC controls the mergers and acquisitions that are eligible for clearance so that there can be no such anti-competitive concentration to deter consumers from using the market. As an instance, EC brought forward its concerns on the acquisition of Air Europa by the International Consolidated Airlines Group (IAG) in 2024, indicating that the acquisition would reduce competition on some of the routes and result in higher prices or service quality losses.

[117] Consolidated Version of the Treaty on the Functioning of the European Union art. 101, May 9, 2008, 2008 O.J. (C 115) 88.
[118] Consolidated Version of the Treaty on the Functioning of the European Union art. 102, May 9, 2008, 2008 O.J. (C 115) 89.

Consequently, IAG offered remedies to address such concerns, including the divesting of overlapping routes.[119]

European airlines have adopted a strategy towards small-scale mergers and acquisitions over full mergers and acquisitions in the last couple of years. They do this to avoid expensive and extensive regulatory scrutiny. Their concern is to respond to the fragmented market and to be more competitive with American and Middle Eastern buddies. Lufthansa has, for instance, bought a 10% share in Latvian carrier airBaltic for 14 million euros and joined Air France-KLM in a mutual interest to acquire 20% from Spain's Air Europa. These minor investments and commercial agreements, such as flight network sharing, are targeted to avoid heavy regulatory barriers.[120]

State aid involves government support to companies, which can distort competition if not properly regulated. The EC assesses such aid to ensure it aligns with EU rules. During the COVID-19 pandemic, several airlines received substantial state aid to mitigate financial losses. Notably, in 2023, the EU General Court annulled the EC's approval of state aid granted to Lufthansa and SAS, citing an inadequate assessment of the aid's compatibility with internal market requirements.[121] The court emphasized the necessity for the EC to conduct thorough evaluations to prevent undue distortions of competition.

In December 2023, the annulment of the Community's decision to approve state aid by France to Air France and Air France-KLM was approved by the General Court following the appeal of Ryanair and Malta Air. The General Court ruled that the Community had failed to ascertain the proper identification of the beneficiaries of the state aid packages of €11 billion.[122] This ruling accentuated the necessity for the Community to see to it that the state aid measures do not have the effect of benefiting unwanted entities and thus distort the competitive conditions of the internal market.

The European Commission is looking into a new area aviation sector with respect to anti-competitive practices. The Commission has also launched a type of investigation concerning

[119] European Commission's in-depth investigations into state aid for European airlines, Inhouse Legal (July 12, 2024), https://inhouse-legal.eu/antitrust-competition-law/european-commissions-in-depth-investigations-into-state-aid-for-european-airlines/.
[120] Joanna Plucinska, Europe's Airlines Pivot to Bite-Size M&A Deals to Limit Cost, Regulatory Burden, Reuters (Mar. 5, 2025, 10:46 AM), https://www.reuters.com/markets/europe/europes-airlines-pivot-bite-size-ma-deals-limit-cost-regulatory-burden-2025-03-05/.
[121] Associated Press, Trump Asks Appeals Court to Toss Federal Election Subversion Case, AP News (Apr. 6, 2025, 1:42 PM), https://apnews.com/article/69d841c46978dbe553b2fb64ae99f372.
[122] Dentons, Winter 2024 Briefing: Competition and Regulatory Issues in the Aviation Sector (Jan. 29, 2024).

Ryanair's alleged abuse of a position of dominance in favour of direct bookings over bookings made through travel agencies or online travel agents by the Italian Competition Authority (AGCM) in 2024. The investigation was based on concerns that the setting of these practices would not only endanger the agency but also that of the consumers, as access is limited to those consumers who go through the agency.[123]

3.2.2. Analysis of Legal Framework of the People's Republic of China's Anti-Monopoly Law China

The Aviation Industry Competition Law Framework of China is primarily based on the People's Republic of China's Anti-Monopoly Law, which was adopted in 2007. This legislative Act is intended to check the exposures of anti-competitiveness by promoting competition in different sectors, including aviation.

Competition Law Framework:

- **Article 13 AML[124]:** Prohibits monopolistic agreements among competing businesses, such as price-fixing, market division, and collusive tendering.
- **Article 17 AML[125]:** Prohibits the abuse of a dominant market position, including behaviours like selling products at unfairly high or low prices, limiting production or sales, and refusing to transact with counterparties without justifiable reasons.

Regulatory Authority: State Administration for Market Regulation (SAMR)

Application to the Aviation Industry:

In the aviation sector of China, the participation of the state in airlines like Air China, China Eastern Airlines, and China Southern Airlines as state owned enterprises still bounds regulatory practices in essence concerning the dual role of the state in terms of its intervention as a regulator and market player using a more serious burden for enforcing Anti-Monopoly Law (AML) efforts in the industry.[126]

[123] *Id.*
[124] Anti-Monopoly Law of the People's Republic of China (AML), 2007.
[125] *Id.*
[126] China Challenging Monopoly of Boeing and Airbus in World Aviation Industry, *WE News English* (Jan. 2, 2025), https://wenewsenglish.pk/china-challenging-monopoly-of-boeing-and-airbus-in-world-aviation-industry/.

In the past several years, Chinese regulators have been looking into an antitrust immunity scheme for airline operators.[127] This scheme would permit certain cooperative arrangements between airlines that would otherwise contravene the antitrust provisions, so long as these arrangements satisfy specific criteria directed towards enhancing efficiency and consumer welfare. This initiative represents an acknowledgment of the intricate interaction between regulation and competition within the aviation environment.

Beyond the airline market, China has been actively pursuing strategies to challenge the global dominance of aircraft manufacturers like Boeing and Airbus. The C919, a narrow-bodied aircraft developed by the state-owned Company called Commercial Aircraft Corporation of China (COMAC), directly competes with the Boeing 737 and the A320 of Airbus.[128] The C919 is an aircraft introduced into commercial service within China in 2023 and is soon to start going international, signalling one of the greatest moves towards the intended penetration of the global aviation market by China.[129]

Despite these advancements, COMAC faces substantial challenges in gaining international market share.[130] The C919 is reliant on foreign technology, with critical systems coming from Western suppliers, making it potentially risky with dependence on the supply chain coupled with geopolitical frictions. In many cases, international certification - EASA, for instance - will be crucial to penetrating foreign markets; they usually have a very complicated and stringent procedure.[131]

The emergence of COMAC has prompted reactions from established industry players. Airbus CEO Guillaume Faury acknowledged that COMAC indeed has the potential to disrupt the stable Airbus-Boeing duopoly, which means that the global commercial aviation market could

[127] Susan Ning, Kate Peng & Li Rui, Chinese Regulators Contemplate Antimonopoly Immunity Scheme for Airline Operators, *China Law Insight* (July 16, 2013), https://www.chinalawinsight.com/2013/07/articles/compliance/chinese-regulators-contemplate-antimonopoly-immunity-scheme-for-airline-operators/.
[128] Jim Osman, Boeing's Critical Threat from China's Growing Aerospace Power, *Forbes* (Nov. 20, 2024, 8:15 PM EST), https://www.forbes.com/sites/jimosman/2024/11/20/boeings-critical-threat-from-chinas-growing-aerospace-power/.
[129] Chan Ho-him, China Steps Up Drive to Break Boeing and Airbus Grip on Plane Market, *Fin. Times* (Jan. 1, 2025), https://www.ft.com/content/7510f691-d9f6-4f07-86ad-8ba3b91517d3.
[130] Jim Osman, Boeing's Critical Threat from China's Growing Aerospace Power, *Forbes* (Nov. 20, 2024, 8:15 PM EST), https://www.forbes.com/sites/jimosman/2024/11/20/boeings-critical-threat-from-chinas-growing-aerospace-power/.
[131] Supra note 116.

one day become a "triopoly."[132] This acknowledgment reflects the changing dynamics of the industry, in which Chinese manufacturers are gaining more importance.[133]

To conclude, through its application of relatively new Anti-Monopoly Law in the aviation industry, China finds itself balancing the oftentimes dichotomous interests of competition and the state. Certainly, stimulation of domestic manufacturers such as COMAC demonstrates a strategic motive about global trade competition; however, issues of enforcement of regulations, technological dependencies, and international certification processes will continue to determine the future of China's aviation industry.[134]

3.2.3. Analysis of Legal Framework of the Brazilian Competition Law

The entire sector of aviation in Brazil works within a complex web woven around the laws and regulations of competition as well as the state of the market. Such evaluation provides ample evidence of drawing references from India in aviation, particularly on market concentration, regulatory issues, consumer protection, operational costs, and antitrust enforcement.

- Article 36[135]: Prohibits acts that may limit or harm free competition or result in the dominance of a relevant market.

Regulatory Authority: The Administrative Council for Economic Defense (CADE)

Application to the Aviation Industry:

CADE has actively overseen the aviation sector to prevent anti-competitive practices and ensure a competitive market environment.

Merger Assessments: In 2012, CADE endorsed Gol Linhas Aéreas' acquisition of Webjet, imposing conditions to reduce anti-competitive incidents. The merger of Azul Linhas Aéreas and Trip Linhas Aéreas was approved in 2012, which conformed to fair competition. The proposed merger of Gol and Azul in 2025 raises concerns about market concentration, as the combined entity would control approximately 60% of Brazil's domestic market. While the government supports the merger to strengthen the airline sector and preserve jobs, CADE's

[132] Aero News Journal, Airbus CEO Warns of China's Comac as Emerging Rival to Boeing Duopoly (Feb. 21, 2025), https://www.aeronewsjournal.com/2025/02/airbus-ceo-warns-of-chinas-comac-as.html.
[133] Boeing's Crisis May Open Gap for Chinese Jets to Fly Through, *Fin. Times* (Feb. 20, 2024), https://www.ft.com/content/d6de4dde-ec24-4693-a8a0-0e623d19233a.
[134] Aditi Shah & Tim Hepher, Aircraft Lessor DAE Sees China's COMAC Breaking Airbus, Boeing Duopoly, *Reuters* (June 21, 2024, 1:01 PM GMT+5:30), https://www.reuters.com/business/aerospace-defense/aircraft-lessor-dae-sees-chinas-comac-breaking-airbus-boeing-duopoly-2024-06-21/.
[135] Lei nº 12.529/2011 (Brazilian Competition Law).

approval is pending, with considerations on maintaining competitive balance and consumer interests.[136]

Cartel Investigations:

- **International Air Cargo Cartel (2013):** Over BRL 293 million fines were imposed by CADE to defraud ABSA, American Airlines, and Alitalia. These were penalties for collusion in fixing prices for fuel surcharges in international air cargo.[137]
- **Aviation Fuel Distribution Cartel (2022):** The companies- Air BP, BR Distribuidora, and Raízen- were fined for creating barriers to entry into the market for aviation fuels in Guarulhos International Airport and hindering competition.[138]

Reasons for Selecting Brazil as a Comparative Model to India

a) **Market Concentration, Dominance:**

Both Brazil and India exhibit high degrees of concentration and dominance in their respective aviation markets.

Brazil: Three big airlines almost monopolized the market: Azul, Gol, and LATAM.

India: The aviation market is largely dominated by IndiGo and the Air India Group, which includes Air India, Vistara, and AirAsia India.

The concentration leads to reduced competition and increased entry barriers for prospective entrants, which promotes monopoly practices with little choice among consumers.

b) **Regulatory Challenges and Foreign Investment**:

There have been policy changes in both countries that provided incentives for foreign investment, but the two had several regulatory conditions that kept international airlines away.

[136] Luciana Novaes Magalhaes & Gabriel Araujo, Brazil Government Supports Gol-Azul Merger to Strengthen Airline Sector, *Reuters* (Jan. 28, 2025, 9:43 PM GMT+5:30), https://www.reuters.com/markets/deals/brazil-government-supports-gol-azul-merger-strengthen-airline-sector-2025-01-28/.
[137] CADE, CADE Reduces International Air Cargo Cartel Fines, *Gov't of Brazil* (Nov. 26, 2014, updated Nov. 1, 2022), https://www.gov.br/cade/en/matters/news/cade-reduces-international-air-cargo-cartel-fines.
[138] Admin. Council for Econ. Def. (CADE), CADE Finds Companies Guilty of Antitrust Violation in Market of Aviation Fuel Distribution at Guarulhos International Airport (Nov. 23, 2022, updated June 27, 2023), https://www.gov.br/cade/en/matters/news/cade-finds-companies-guilty-of-antitrust-violation-in-market-of-aviation-fuel-distribution-at-guarulhos-international-airport.

Brazil: The removal of restrictions on foreign ownership in 2018 did not translate into international carriers flocking to Brazil due to the reasons of difficult market conditions and high operational costs.

India: And added to all of these are regulatory effects and high fuel prices with which foreign airlines could not reconcile, notwithstanding the liberalization measures it enacted.

These issues underscore the conditions that call for clear and more investor-friendly policies to facilitate foreign participation and sharpen competition.

c) **Judicial Uncertainty and Consumer Protection:**

Both countries share judicial uncertainties and hard consumer protection laws affecting airlines' operational capabilities.

Brazil: They have strict consumer protections that allow customers to file lawsuits against carriers with great ease.

India: The legal framework throws in complexities, like in cases of lessors straining to repossess aircraft, in view of the bankruptcy laws in existence.

Such legal intricacies can inhibit investment and complicate operational decision-making for airlines.

d) **High Operational Costs:**

The aviation industries in both countries face high operational costs, especially fuel prices.

Brazil: High fuel prices constitute a major hindrance for international airlines. The state oil company Petrobras has been heavily criticized for its pricing policies, with aviation kerosene prices in Brazil being amongst the highest in the world.[139]

India: Fuel costs constitute a substantial portion of operating costs, with consequent impact on profitability and thus ticket prices.

Pricing mechanisms need to be established with respect to fuel, while looking into other sources of energy that could have positive effects in trying to defray some of these costs.

e) **Antitrust Investigations and Enforcement:**

[139] Aeroflap, High: Fuel Prices Influence the Drop in Passenger Recovery in Latin America (Apr. 5, 2023), https://www.aeroflap.com.br/en/high-fuel-prices-influence-the-drop-in-passenger-recovery-in-latin-america/.

Both Brazil and India have active antitrust bodies that have investigated and penalized airlines for anti-competitive practices.

- **Brazil:** CADE has scrutinized airline mergers and alliances to prevent monopolistic behaviours.
- **India:** The Competition Commission has imposed penalties on airlines for cartelization and price-fixing.

These enforcement actions demonstrate a commitment to maintaining competitive markets and protecting consumer interests.

Conclusion

With strong measures against anti-competitive exemptions and scrutiny of state aids, the application of EU law and policy is the benchmark for ensuring fair competition in the aviation sphere. By bearing upon undue administrative intervention in competition, the SAMR, of course, greatly facilitates the enforcement of the Anti-Monopoly Law in China. Therefore, a balanced regulatory approach that incorporates market liberalization with oversight will be deemed fit for enhancing competition in the aviation markets of India and Brazil. The recent legislative framework development of India in line with the international setting is, nonetheless, a road toward increasing investment opportunities while ensuring competition. Brazil's experiences reaffirm that binding antitrust enforcement instruments are necessary to prevent excessive market concentration while cushioning the industry. India and Brazil should learn from the EU's severe enforcement, as well as from China's regulatory reform, to redirect their competition policies toward a more dynamic and fair aviation market.

Chapter 4: Major Mergers and Acquisitions: Case Studies

4.1. Successful Mergers and Acquisitions in India

- **Tata Group's Acquisition of Air India (2021)[140]**

Tata Sons acquired Air India from the Government of India in 2021, marking the end of a protracted effort aimed at privatizing the debt-burdened national carrier.[141] This acquisition thus returned the airline to its founders after almost 70 years of state control.[142]

Background

In 2021, substantial strategic disinvestment was pursued by the Government of India, whereby it sold its entire shareholding in Air India Ltd., the national carrier, together with its subsidiary Air India Express Ltd. and 50% stake in the ground-handling concern, AISATS. The successful bidder was Talace Pvt. Ltd., a wholly-owned subsidiary of Tata Sons Pvt. Ltd. The acquisition is, hence, historic in that by doing so, Air India was returned to the Tata Group almost seven decades after it was nationalized. The acquisition was completed through the wholly owned subsidiary of Tata, Talace Pvt. Ltd., which became the winning bidder with an offer of ₹18,000 crore, comprising both cash and debt absorption.[143]The transaction involved the transfer of control, brand rights, operational routes, employees, and aircraft.

Issues

The acquisition brought two central legal and regulatory issues:

1. **Regulatory Approvals and Disinvestment Validity:** Did such disinvestment satisfy the laws governing the transfer of public assets to private enterprises, especially in terms of procedural transparency and valuation benchmarks as contained in the guidelines of the Department of Investment and Public Asset Management (DIPAM)?

2. **Compliance with FDI, Competition, and Aviation Regulatory Norms:** Since aviation is a sector under heavy regulation, there should also be compliance on the

[140] *Talace Pvt. Ltd. and Air India Ltd., Combination Reg. No. C-2021/10/864* (CCI Jan. 2022).
[141] Press Release, Gov't of India, *Air India Disinvestment Concluded* (Oct. 8, 2021), https://pib.gov.in.
[142] Saurabh Sinha, *Return of the Maharaja: Tata Takes Over Air India*, Times of India (Jan. 27, 2022), https://timesofindia.indiatimes.com.
[143] Arindam Majumder, *Tata's ₹18,000 Cr Bid for Air India Wins*, Business Standard (Oct. 9, 2021), https://www.business-standard.com.

acquisition concerning the norms under the FDI Policy, the Competition Act, 2002, and civil aviation safety and operational requirements imposed by the DGCA and BCAS.

Analysis

The Competition Commission of India (CCI), in its approval of the combination under Section 31(1) of the Competition Act, 2002, noted that the acquisition would not have an appreciable adverse effect on competition in the aviation market. Following this, clearances in respect of security protocols, airworthiness, and transfer of ownership were granted by aviation authorities, including the DGCA.

The acquisition was legally framed under the auspices of India's strategic disinvestment policy, with implementation overseen by the Department of Investment and Public Asset Management. The transaction involved complex legal documentation, such as share purchase agreements, asset transfers, employee transition mechanisms, and regulatory clearances from the Competition Commission of India and the Directorate General of Civil Aviation.[144] Careful regulatory compliance with the Companies Act, 2013, and various sector-by-sector rules on aviation and FDI was required for disinvestment.

From the point of view of retrieval strategy, Tata Group looked to menagerie its aviation interests-like Vistara and AirAsia India-under a single fold to augment capacity and operational efficiency. [145] With this shift, the air carrier would have been marked to become a giant in the Indian and international aviation markets. Air India's reintegration with the Tata ecosystem would require a complete facelift, modernization of an extensive fleet, revamping of the brand, and transformation of legacy human resource policies. [146]

Operational and legal restructuring measures included renegotiation of aircraft leases and optimization of routes, and standardization of vendor contracts. There again, the Tata Group dabbled in tidying up employee benefits and contracts in the face of IC and employment law.[147] Customer-centric, digitalized, and outfitted with a global comparisons arena-dwelling

[144] Competition Comm'n of India, *CCI Approves Tata-Air India Deal*, Press Release (Dec. 2021), https://www.cci.gov.in.
[145] Singapore Airlines, *Tata Group to Merge Vistara with Air India*, Press Release (Nov. 29, 2022), https://www.singaporeair.com
[146] Shiv Aroor, *Air India's Makeover Begins: New Vision, New Plan*, India Today (Aug. 10, 2023), https://www.indiatoday.in.
[147] Economic Times, *Tata Group Begins HR Restructuring at Air India*, (Feb. 2023), https://economictimes.indiatimes.com.

competition would be one of the key agendas under transformation in the post-acquisition strategy at Air India.

The deal stands as a milestone of M&A in India's corporate history when it comes to the importance of legal precision, strategic fit, and compliance with regulatory requirements for achieving privatization on such a scale.[148]

- **Jet Airways Acquisition by Jalan-Kalrock Consortium (2022)[149]**

The once-king of Indian aviation, Jet Airways, went down in April 2019 due to debts, operational inefficiencies, and bad financial governance.[150] This airline's downfall was a colossal backslide for Indian aviation and led to a reference for resolution through insolvency under IBC-2016 on the part of creditors. This was the first time that IBC applied to a major airline in India; thus, it was a landmark case for the corporate restructuring process through the legal mechanism.[151]

Background

Jet Airways used to be one of the leading airlines in India; however, it stopped its flight operations in April 2019 due to extreme financial distress and mounting debt. After several unsuccessful attempts to revive the airline, it was admitted under the Corporate Insolvency Resolution Process (CIRP) in early June 2019 under the Insolvency and Bankruptcy Code, 2016 (IBC). In June 2021, NCLT sanctioned the resolution plan that was put forth by the Jalan-Kalrock Consortium, comprising UAE-based businessman Murari Lal Jalan and Kalrock Capital, a UK-based financial advisory firm.[152] The consortium's plan included an infusion of ₹1,375 crore, which included payments to creditors, capital expenditure, and working capital. The revival plan for Jet Airways envisages taking advantage of its valuable assets- airport slots, brand name, and Air Operator Certificate (AOC).[153]

The Jalan-Kalrock Consortium was approved by the National Company Law Tribunal (NCLT) as the successful resolution applicant after an extensive bidding and evaluation process in 2022.

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[148] PWC India, *Privatization and Disinvestment Trends in India*, Report (2022), https://www.pwc.in.
[149] *Jet Airways (India) Ltd. v. State Bank of India*, CP (IB) 2205/MB/2019, Order dated June 22, 2021 (NCLT Mumbai).
[150] Anirban Chowdhury, *Jet Airways Ceases Operations*, Economic Times (Apr. 18, 2019), https://economictimes.indiatimes.com.
[151] Insolvency and Bankruptcy Code, No. 31 of 2016, § 7, India Code.
[152] Order, NCLT Mumbai Bench, *Jet Airways (India) Ltd. Insolvency Resolution*, CP (IB) 2205/MB/2019 (June 22, 2021).
[153] Saurabh Sinha, *Jet Airways Revival Plan Explained*, Times of India (June 24, 2021), https://timesofindia.indiatimes.com.

Their resolution plan comprised a proposal to revive the airline, to pay the creditors, and the commence operations. It also provided for measures relating to regulatory requirements and liabilities with respect to the previous operation of Jet Airways.

Issues

1. Compliance with IBC Provisions:

The foremost legal issue was whether the resolution plan presented by the Jalan-Kalrock Consortium met the mandatory ingredients outlined in the IBC, principally Section 30(2), which lays down that the plan has provisions for the payment to operational creditors in a manner that is no less than what they would receive upon liquidation.

2. Claims for Liabilities and Employees:

Another very important consideration was whether the resolution plan adequately accounted for payment of dues about the legacy liabilities of Jet Airways, more particularly, those dues unpaid to employees and workmen. The Tribunal was to inquire whether the plan safeguarded the rights and entitlements of former employees as per Section 31(1) of the IBC, which in essence states that once a resolution plan is approved, it is binding on all stakeholders.

Analysis

The NCLT approved the resolution plan of the Jalan-Kalrock Consortium, subject to certain conditions. The Tribunal ordered the consortium to apply for relevant regulatory approvals from the Directorate General of Civil Aviation (DGCA) and the Ministry of Civil Aviation (MoCA). It is important to point out that considerations were given to the needs of the employees and other creditors by ensuring their rights under Sections 30(2) and 31(1) of the IBC, thus confirming that statutory obligations and dues would be addressed under the approved plan.

The takeover under IBC brought to light the increasing importance of statutory insolvency mechanisms to develop mergers and acquisitions in distressed sectors like aviation. The case also tested the robustness of Indian insolvency laws, specifically on asset allocation, operational continuity, and regulatory approvals post-resolution.[154] Jet's slots and air traffic rights had been reallocated during its grounding, leading to disputes with the Directorate

[154] Press Release, Ministry of Corporate Affairs, *Jet Airways Resolution Under IBC*, (June 2021), https://www.mca.gov.in.

General of Civil Aviation (DGCA) and the Ministry of Civil Aviation, raising questions on the enforceability of IBC resolutions over sector-specific regulatory frameworks.[155]

Legal issues related to delay in implementing the plan, objections from creditors, and different interpretations of the resolution agreement resulted in prolonged litigation despite the approval from the NCLT.[156] However, the revival plan of Jet Airways set a trend for future aviation-related insolvency solutions, displaying a pathway to poor asset recovery through IBC in India.

The deal traverses the world of insolvency law, regulatory oversight, and strategic investment in aviation, M&A fertile ground both for legal scholarly pursuit and the evolution of policy in India's large but ripening airline industry.[157]

- **Merger of Air India and Vistara (2024)[158]**

Background

In a serially relevant development in the Indian aviation context, Tata Sons in 2022 announced the merger of its full-service airline Vistara, which was jointly owned with Singapore Airlines (SIA), into Air India, acquired by Tata in 2021. This will be India's largest full-service airline. This merger marks an important consolidation in the industry, which aims to create a global aviation powerhouse. This included the clearance from the Competition Commission of India (CCI), Directorate General of Civil Aviation (DGCA), Ministry of Civil Aviation (MoCA), and both Tata Sons and SIA in terms of shareholder approval.

The aim was to group these operations under one full-service carrier for operational efficiencies, fleet optimization, and customer service. To further cement a long-term commitment to the Indian market, SIA agreed to infuse extra capital and raise its stake in the merged entity. Eventually, after certain procedures and regulatory steps, the merger received formal approval in 2024. The merger of Vistara, a Joint Venture of Tata with Singapore Airlines, into Air India in 2024 step towards transforming aviation in India by the Tata Group.

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[155] Arindam Majumder, *Slot Reallocation Challenges in Jet Airways Case*, Business Standard (July 2021), https://www.business-standard.com.
[156] Kirtika Suneja, *Jet Airways Lenders Raise Concerns on Plan Delays*, Financial Express (Oct. 2022), https://www.financialexpress.com.
[157] Nishith Desai Associates, *Legal Analysis: Jet Airways Insolvency & M&A Lessons*, NDA Insights (Nov. 2022), https://www.nishithdesai.com.
[158] *Tata Sons Pvt. Ltd. and Singapore Airlines Ltd., Combination Reg. No. C-2023/02/987* (CCI Apr. 2024).

Singapore Airlines will own a 25.1% share in the merged airline because of a deepened strategic partnership with the Tata Group.[159]

Issues

Two major legal and economic issues arose in the context of this merger.

First, the question arose whether the merger was indeed in consonance with FDI regulations in India and competition laws.

Second, substantively, the merger had the risk of some anti-competitive tendencies; it concerned the market-dominant position of the merged airline because of significant market share on domestic and international routes.

Analysis

From a legal perspective, the merger was subject to approval by several regulatory bodies, including the Competition Commission of India (CCI), the Directorate General of Civil Aviation (DGCA), and the Ministry of Corporate Affairs (MCA) under the Companies Act, 2013. The transaction had to meet competition law thresholds under the Competition Act, 2002, especially given market concentration in certain domestic segments. Additionally, transfer of air operator certificates (AOCs), bilateral traffic rights, and aircraft leases involved intricate regulatory coordination.

The CCI approved the merger in 2024, ruling that the combination did not cause any appreciable adverse effect on competition in the relevant market. It recognized consolidation under the merger, but analysed competition remained due to constraints by others, such as IndiGo, Akasa Air, and SpiceJet. Furthermore, Singapore Airlines' shareholding stake in the merged entity was increased by the limits to 25.1% under the law; thus, the agreement met both strategic and regulatory terms.

The main reason for this merger is synergy in operations and a wider market outreach. Air India and Vistara are both full-service airlines and have some international routes, along with domestic routes running parallel. By effectively merging operations, the airlines will have top schedules combined for redundancy detection and fleet deployment, as well as streamlining

[159] Press Release, Singapore Airlines, *SIA to Invest in Merged Air India-Vistara Airline* (Nov. 29, 2022), https://www.singaporeair.com.

personnel and ground operations.[160] The expected result would be significant enhancements in cost-efficient service delivery and customer satisfaction.

An important legal issue was compliance with Foreign Direct Investment (FDI) rules regarding civil aviation. Even though SIA's continued investment was within the allowable limit for foreign investment, it needed careful structuring to be compliant with the sectoral and control provisions.[161]

Merger integrated loyalty programs- among them Air India's "Flying Returns" and Vistara's "Club Vistara" into each other, entailing further legal issues based on consent and data privacy under Information Technology, 2000, as well as newer data protection frameworks.

On the strategic front, the merged airline would be well-positioned to take on international behemoths in the long-haul market, given Tata's brand equity and Vistara's excellent service reputation.[162] The merger is a step towards bringing India's Air India to global competitiveness through well-established hubs in Delhi and Mumbai with further reach to Europe, North America, and Southeast Asia.[163]

4.2 Failed or Challenging M&A Deals in India

- **Kingfisher Airlines and Air Deccan (2007)[164]**

Kingfisher Airlines, controlled by UB Group chairman Vijay Mallya, had acquired a controlling stake in Deccan Aviation Ltd., parent of Air Deccan, India's low-cost carrier, in 2007. The strategic buy had two main goals: first, to acquire control of a larger share of the domestic market instantly, and second, to leverage the operating license of Air Deccan to meet the requirements of international operations under the 5/20 rule, which stipulated five years of domestic operations and a fleet of 20 aircraft as a prerequisite for international operations.[165]

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[160] Anirban Chowdhury, *Air India, Vistara Begin Merger Process*, Economic Times (Jan. 3, 2024), https://economictimes.indiatimes.com.
[161] Press Release, Ministry of Civil Aviation, *FDI in Civil Aviation – Current Framework* (Aug. 2023), https://civilaviation.gov.in.
[162] Saurabh Sinha, *Tata to Revamp Air India as Global Carrier*, Times of India (Jan. 10, 2024), https://timesofindia.indiatimes.com.
[163] Shiv Aroor, *Air India-Vistara Merger: What It Means for Global Connectivity*, India Today (Feb. 12, 2024), https://www.indiatoday.in.
[164] *Kingfisher Airlines Ltd. v. United Breweries Holdings Ltd.*, (2012) 173 Comp Cas 126 (Karn.).
[165] Press Release, Ministry of Civil Aviation, *5/20 Rule and International Operations*, (2007), https://civilaviation.gov.in.

This alliance was never meant to last. It is an important case to learn what is wrong with financial restructuring and corporate governance in such mergers and acquisitions in aviation.

Background

In the year 2013, Etihad Airways acquired a 24% stake in Jet Airways, which would also rank as one of the biggest foreign investment activities in Indian aviation. It was a financial and network infusion strategy for strategic alliance purposes. However, after the investment, Jet Airways went on to face all-time financial stress with additional allegations of internal mismanagement and wrong fund transfers between Jet Airways and its promoter-controlled entities. Concerns arose from corporate cross-holdings between group companies, use of funds, and incompleteness of disclosures to shareholders and regulators. The case drew attention from the Securities and Exchange Board of India, prompting inquiry from many regulators about possible violations of corporate governance norms and disclosure obligations.

Issues

The main legal issues focused on whether promoters of Jet Airways, especially Naresh Goyal, had violated SEBI (Listing Obligations and Disclosure Requirements) Regulations and other corporate laws. Questions have been raised about whether the fund transfers between Jet Airways and its promoter-controlled related entities were legitimate and whether these transactions breached the fiduciary duties. Further, it has also raised several red flags under the SEBI-related party norms about personal guarantees and non-clarified financial provisions.

Analysis

There was no single judgment at the end, as would have consolidated all the issues. Regulators and especially the tribunal seemed to note that transparency and governance had seriously failed. The court and SEBI also took notice that the promoters had failed to perform their fiduciary duties to the company and its shareholders. Proper disclosures, misappropriation of corporate forms, and questionable dealings that were obscured did away with investor confidence and contributed to Jet Airways' eventual demise, reiterating the need for a strong corporate governance regime in M&A transactions.

Although the takeover enabled Kingfisher to skip regulatory timelines, the integration itself was inherently faulty. Air Deccan's no-frills business was completely at odds with Kingfisher's luxury-end full-service product. This dissonance gave rise to profound operational, brand, and

cultural mismatches.[166] The combined airline fought brand dilution, route management, and service disruption. Legally, there was minimal harmonization of labour contracts, maintenance procedures, and leasing deals, which made integration even more challenging.[167]

From a financial perspective, Kingfisher financed the acquisition with significant debt. It inherited Air Deccan's debt without a viable strategy to restructure it. Operational expenses skyrocketed, while revenues and load factors dipped.[168] Economies of scale and network efficiency did not materialize from the merger, as routes were overlapping without optimization, and maintenance of the fleet became more complex.[169] Regulatory oversight also tightened. The Directorate General of Civil Aviation (DGCA) and the Ministry of Civil Aviation were concerned about safety, compliance breaches, and financial stability. Kingfisher could not take advantage of its brief success in starting international routes because of poor financial planning and increased fuel prices.[170] Kingfisher had incurred over ₹7,000 crore of debt by 2012, which resulted in license suspension, aircraft grounding, and large-scale job cuts.[171]

The Kingfisher acquisition of Air Deccan remains a cautionary example in Indian aviation M&A history. It is about the dangers of strategic overreach, weak legal due diligence, and ineffectual post-merger integration (PMI). Subsequent transactions would need to center on congruence in business models, rigorous compliance audits, and financial viability to be successful in the long haul.[172]

- **Jet Airways and Air Sahara (2007)[173]**

In 2007, India's then number one private carrier Jet Airways acquired Air Sahara for ₹1,450 crore after long and acrimonious negotiations and valuation disputes. The deal was one of

[166] Manisha Singhal, Kingfisher-Air Deccan Deal: A Merger Doomed from Start, Bus. Today (Oct. 10, 2012), https://www.businesstoday.in.
[167] Saurabh Sinha, *Integration Woes After Kingfisher-Air Deccan Deal*, Times of India (Mar. 2009), https://timesofindia.indiatimes.com.
[168] K. Giri Prakash, Kingfisher's Debt Spiral Began with Deccan Acquisition, Hindu Bus. Line (Feb. 2012), https://www.thehindubusinessline.com.
[169] Arindam Majumder, *Merger Lessons: Why Kingfisher Failed to Fly*, Bus. Standard (Apr. 2013), https://www.business-standard.com.
[170] CAG Report, Regulatory Oversight in Civil Aviation Sector, Comptroller & Auditor General (2013), https://cag.gov.in.
[171] Deba Mishra, Grounded: The Collapse of Kingfisher Airlines, Forbes India (May 2013), https://www.forbesindia.com.
[172] Ministry of Corporate Affairs, Kingfisher Airlines: Investigation Report on Financial Irregularities (2014), https://mca.gov.in.
[173] Jet Airways Acquires Air Sahara for Rs 1,450 Crore, The Economic Times (Apr. 13, 2007), https://economictimes.indiatimes.com/jet-airways-acquires-air-sahara-for-rs-1450-crore/articleshow/1888446.cms.

India's biggest domestic aviation transactions and a milestone in the liberalization of India's aviation sector. But even though the takeover was intended to consolidate Jet's market leadership and expand its low-cost base, it went on to contribute to the airline's perpetual financial troubles.

The deal was initiated in early 2006 but was tainted by legal and regulatory concerns, particularly over valuation and payment terms. The deal had been finalized at ₹2,300 crore in the first place, but it collapsed when Jet failed to pay the money, citing operational and financial misdeeds in Sahara's business. The case was taken to arbitration, and the final cost of acquisition was settled at ₹1,450 crore.[174] The prolonged legal fight affected the pace and strategic momentum of the deal.

Contract enforcement, arbitration, and regulatory approvals by the Directorate General of Civil Aviation (DGCA), Foreign Investment Promotion Board (FIPB), and Competition Commission of India (CCI), from a legal standpoint, were among the constraints imposed by the acquisition.[175] Jet positioned Air Sahara as JetLite to tap into the budget travel segment without diluting its identity as a full-service carrier. The integration, however, was badly managed.[176]

Overlapping routes, incompatible fleets, and diverging business models operationally have been Jet's bane throughout the acquisition of Sahara.[177] JetLite underperformed, and losses persisted in the following years. Maintaining two different operational structures was draining Jet's resources and not yielding significant economies of scale. There were negative ramifications from brand confusion on customer loyalty and Jet's market position.[178] Analysts observed that the acquisition diverted Jet from its core business and crippled it financially. Increasing competition from IndiGo and SpiceJet, rising fuel prices, and inappropriate strategic decisions led to the suspension of Jet Airways in 2019.[179]

The Jet-Sahara case reiterates the need for extensive due diligence, smooth post-merger integration, and strategic alignment in an M&A deal; above all, it stresses the legal complexity

[174] *Jet-Sahara Deal Gets Arbitrated Discount*, Times of India (Apr. 14, 2007), https://timesofindia.indiatimes.com.
[175] Jet-Sahara Merger Cleared by DGCA, CCI, Economic Times (May 2007), https://economictimes.indiatimes.com.
[176] R. Sukumar, Jet's Costly Gamble: Lessons from JetLite, Live mint (Aug. 2010), https://www.livemint.com.
[177] Arindam Majumder, *JetLite Failed to Deliver*, Business Standard (Mar. 2019), https://www.business-standard.com.
[178] Kapil Kaul, Jet Airways' Strategic Missteps, CAPA India (Apr. 2019), https://www.capaindia.com.
[179] N. Jayaram, Legal Aspects of Indian Aviation M&A, Indian J. Corp. L. & Pol'y, Vol. 5, No. 2 (2018).

of resolving issues over valuation and execution in a fast-changing regulatory environment in India.

- **SpiceJet's Shareholding Restructuring (2015)[180]**

In 2015, SpiceJet achieved some profound transitions in its internal structure with a management buyout by its original co-founder, Ajay Singh. This transaction, while not a textbook case of M&A kind, constitutes an interesting study on the legal ramifications of the infusion of ownership, regulatory oversight, and rescue mechanisms in the Indian laws of aviation and securities.

SpiceJet was in the middle of a financial crisis: losses were piling up, flights were grounded, and salaries went unpaid, bringing the airline to the brink of collapse. Ajay Singh repurchased a large stake in the airline held by its then-promoter Kalanithi Maran and his company KAL Airways for the purpose of salvaging the airline's financial remains. In essence, the transaction was a share sale and an infusion of fresh capital for the stabilization of operations so that SpiceJet could avert impending insolvency.[181]

The legal arrangements entailed multiple regulatory clearances. Initially, SEBI's Substantial Acquisition of Shares and Takeovers Regulations, 2011 (SAST Regulations) came into play, although Ajay Singh was exempt from making an open offer under Regulation 10 due to prior shareholding and control history. Additionally, the transfer was subject to references to the Ministry of Civil Aviation as well as approval of the Directorate General of Civil Aviation (DGCA) under the Aircraft Rules, 1937, as any change in ownership of a scheduled airline requires regulatory approval.

The further legal requirement of obtaining Foreign Investment Promotion Board (FIPB) clearance because of foreign institutional investors in SpiceJet, involving changes in shareholding affecting the FDI cap in aviation.[182] Major events required disclosure as a trigger for the deal under the Listing Obligations and Disclosure Requirements (LODR) Regulations, 2015, making SpiceJet inform stock exchanges regarding material events affecting share prices as well as investor mood.[183]

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[180] *SpiceJet Ltd. and Kalanithi Maran*, CP No. 13/2015, Order dated Mar. 20, 2015 (CLB).
[181] Ministry of Civil Aviation, Report on Domestic Airline Turnarounds, (2016), https://www.civilaviation.gov.in.
[182] FIPB, Press Note on FDI in Civil Aviation Sector, (2015), https://dpiit.gov.in.
[183] SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Reg. 30.

However, from a corporate law perspective, the transaction would also have to abide by Section 62 of the Companies Act, 2013, because it involved preferential allotment. This would be subject to the board as well as shareholder resolution. Maran thereafter initiated arbitration proceedings for breach of the terms of transfer of shares against all other stipulations regarding agreements and approval of boards under Indian contract law.[184]

The dramatic internal restructuring in a listed company happens without a third-party merger; indeed, this will prompt multivariate legal implications. The successful revival of SpiceJet post-restructuring shows how timely legal compliance, regulator cooperation, and corporate governance mechanisms are so essential in driving good transactions under crises.[185]

4.3. M&A in the European Union (EU)

Mergers and acquisitions have created a situation of substantial consolidation in the European Union (EU) aviation industry in recent years.[186] Mergers and acquisitions in the European airline sector are heavily influenced by the European Union's antitrust and competition law framework.

This is a significant development for competition law scholarship, particularly in terms of the enforcement and application of competition law. The regulatory environment provided by the European Commission (EC) is at the forefront of preventing these mergers from harming fair competition within the European Economic Area (EEA).[187] The consolidation phase, currently, possibly due to pandemic recovery and airlines seeking to enhance their competitive standing, is a complex interaction of legal and economic considerations. Being cognizant of the EC's treatment of these mergers, as well as legal scholars' work, is essential to comprehending the evolving regulatory environment and how this impacts the airline sector.

Several important M&A transactions have influenced the EU aviation environment over the last 1-2 years. In July 2024, the EC provisionally approved the acquisition by Lufthansa of a

[184] Ajay Modi, Maran vs. Singh: A Legal Tussle in the SpiceJet Revival Saga, Business Standard (Feb. 2017), https://www.business-standard.com.
[185] Richa Misra, Corporate Restructuring and Regulatory Compliance in Indian Aviation, 59 J. Corp. & Sec. L. 128 (2016).
[186] Suzanne Berkery, The European Aviation Sector: Up, Up and Away, *Cantor Fitzgerald Ireland* (Dec. 6, 2023), https://cantorfitzgerald.ie/the-european-aviation-sector-up-up-and-away/.
[187] Mark English, EU Competition Law Developments in the Aviation Sector, 35 *Air & Space L.* 445 (2010), available at https://www.researchgate.net/publication/359304113_EU_Competition_Law_Developments_in_the_Aviation_Sector

41% interest in ITA Airways, Italy's flag carrier, for €325 million.[188] This strategic foray by Lufthansa to increase its presence in southern Europe came after a thorough examination by the EC and was subject to the rollout of significant remedies to mitigate likely competition issues.[189] In contrast, International Airlines Group (IAG), parent company of Iberia and British Airways, faced fierce regulatory resistance in its bid to acquire Air Europa.[190] The EC raised severe concerns that the proposed merger would materially lower competition on many domestic, short-haul, and long-haul routes within, to, and from Spain, notably affecting the Madrid hub.[191] Despite IAG's suggested remedies, the EC ultimately found them inadequate, which resulted in the abandonment of the €400 million deal in August 2024. Another newsworthy occurrence involved Air France-KLM's completion of the acquisition of a non-controlling 19.9% interest in Scandinavian Airlines (SAS) in August 2024.[192] This investment, as part of SAS's financial restructuring, was examined by the German competition authority, albeit without triggering an EC merger review due to the minority stake nature of the acquisition. [193] In addition, although not an EU-EU merger, Korean Air's takeover of Asiana Airlines was conditionally approved by the EC in February 2024.[194] The EC approval was conditional on the sale of Asiana's cargo operations and some passenger routes to ensure competition on routes between South Korea and Europe, showing the extensive application of EU competition law.[195] These diverse results and the EC's active monitoring reflect the complexities involved in aviation M&A in the EU.

- **<u>Air France–KLM Group merger in 2004</u>**

The Air France–KLM Group merger in 2004 remains a landmark case for cross-border aviation consolidation. The European Commission approved the merger under strict conditions to prevent monopolistic control on overlapping routes.[196] The merger required both carriers to

[188] Dentons, Aviation Sector Regulatory Update – Summer 2024 (Sept. 9, 2024), available at https://www.dentons.com/en/insights/articles/2024/september/9/aviation-sector-regulatory-update.
[189] European Commission, Commission Clears Proposed Acquisition of Stake in ITA Airways by Lufthansa, Subject to Conditions (July 3, 2024), https://ec.europa.eu/commission/presscorner/detail/en/IP_24_3604.
[190] Emma Kranendonk & Stef Geelen, *Merger Control European Commission*, Taylor Wessing (Feb. 28, 2025), https://www.taylorwessing.com/en/insights-and-events/insights/2025/02/merger-control-european-commission.
[191] Supra note 176.
[192] Daniel Martinez Garbuno, EU Could Block IAG/Air Europa Merger – Report, *ch-aviation* (July 26, 2024), https://www.ch-aviation.com/news/143014-eu-could-block-iagair-europa-merger-report.
[193] Supra note 176.
[194] Emma Kranendonk & Stef Geelen, Merger Control European Commission, *Taylor Wessing* (Feb. 28, 2025), https://www.taylorwessing.com/en/insights-and-events/insights/2025/02/merger-control-european-commission.
[195] Foo Yun Chee, Korean Air Wins EU Antitrust Approval for Asiana Deal, *Reuters* (Feb. 13, 2024), https://www.reuters.com/business/aerospace-defense/korean-air-wins-eu-antitrust-approval-asiana-deal-2024-02-13/.
[196] Pinar Akman, The Role of the European Commission in Airline Mergers, 11 Eur. Comp. L.J. 53 (2005).

surrender take-off and landing slots at key congested airports to new competitors. This approach was based on the principle of maintaining market contestability and consumer choice, setting a precedent for future transnational airline mergers.[197]

In this light, phased acquisition with the interim incorporation of **Brussels Airlines and Austrian Airlines** is another example of a cautious and legally compliant acquisition strategy that offered regulatory scrutiny at every step. Starting with small stakes, Lufthansa then acquired full ownership, fettered to certain remedies to ameliorate any alleged concerns in relation to competition.[198] These remedies would relax the surrender of airport slots and uphold code-share agreements with rival carriers to reinforce consumer benefit.[199]

Under Council Regulation (EC) No. 139/2004, commonly known as the EU Merger Regulation (EUMR), such mergers are subject to assessment. Under the EUMR, the European Commission (EC) is empowered to analyze the effects of mergers on the structure of markets, competition, and free movement within the Union.[200] The primary test of law is whether a proposed merger would significantly impede effective competition in the internal market.[201]

A hoary instance of the legal principle in question is the blocked Ryanair Aer Lingus merger[202], where the Commission concluded that Ryanair's intended takeover would damage competition on several short-haul routes from Ireland. Meanwhile, although Ryanair proposed a host of behavioural remedies, the Commission noted that the merger would result in a near-monopoly, which would injure consumer welfare as well as restrict fare competition.[203] The Commission decision above was later endorsed by the Court of Justice of the European Union, and it consequently gave further importance to the route-level market analysis in airline mergers.[204]

There is thus a clear balance in EU legal oversight of airline mergers between integration and competitive markets. The Commission has been instrumental in steering the airline landscape of Europe by merely imposing some conditions or outright prohibition of those actions detrimental to consumer interest.

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[197]Ioannis Kokkoris & Howard Shelanski, *EU Merger Remedies: A Review of the Air France-KLM Case*, 7 J. Comp. L. & Econ. 23 (2006).
[198] David Bailey, *Airline Mergers, and the EU: The Lufthansa Approach*, 9 Comp. Pol'y Int'l 101 (2013).
[199]Claus-Dieter Ehlermann, *Merger Control and Slot Allocation in EU Aviation*, 14 Eur. Comp. L. Rev. 265 (2008).
[200]Council Regulation (EC) No 139/2004, art. 2, 2004 O.J. (L 24) 1.
[201] Alison Jones & Brenda Sufrin, *EU Competition Law: Text, Cases and Materials* 904–06 (6th ed. 2016).
[202]Commission Decision, Case No. COMP/M.4439 – Ryanair/Aer Lingus, 2007 O.J. (C 47) 14, https://ec.europa.eu/competition/mergers/cases/decisions/m4439_20070627_20610_en.pdf.
[203] Gareth Davies, Ryanair–Aer Lingus: Merger Control Meets Market Dominance, 18 Eur. L.J. 27 (2012).
[204] Case T-342/07, Ryanair Holdings plc v. Comm'n, 2010 E.C.R. II-3457.

Lufthansa/ITA Airways and IAG/Air Europa merger investigation by the EC reveals salient features of the aviation sector antitrust review. The recent issuance of a Statement of Objections in both cases indicates, albeit in a very preliminary way, the Commission's concerns that the proposed transactions could lessen competition on several routes, thereby possibly leading to increased fares and reduced choice for consumers.[205] To offset these concerns, Lufthansa offered remedies that include providing slots and assets on key short-haul routes for rival airlines to operate and agreeing to boost their competitiveness on long-haul routes.[206]

IAG has agreed to hand over a significant proportion of the Air Europa slots at Madrid Airport.[207] Nonetheless, according to the EC, remedial measures proposed by IAG are not adequate to alleviate its competition concerns.[208] The Commission focused its assessment on the current market structure, the market share achieved by the merging parties, as well as the specific threat of new entrants or other existing competitors exerting sufficient competitive pressure on the merged entity.[209]

It was reportedly due to the EC's assessment that the remedies would make it practically impossible for potential remedy takers to effectively compete due to a lack of network effects.[210] It formally conditionally approved the merger of Lufthansa with ITA Airways, subject to compliance with the remediation offered, thus demonstrating the willingness of the EC to permit such consolidations under predetermined conditions designed to preserve competition.[211] To finish, the EC also accepted EasyJet, IAG, and Air France-KLM as suitable entities to take over the remedial agreements offered by Lufthansa and ITA.[212] Moreover, the

[205] European Commission Issues Statement of Objections on Lufthansa's Acquisition of Stake in ITA Airways, *RTT News* (Mar. 25, 2024), https://www.rttnews.com/3434431/european-commission-issues-statement-of-objections-on-lufthansa-s-acquisition-of-stake-in-ita.aspx.
[206] Press Release, European Commission, Commission Clears Proposed Acquisition of Stake in ITA Airways by Lufthansa, Subject to Conditions (July 3, 2024), https://ec.europa.eu/commission/presscorner/detail/en/IP_24_3604.
[207] Daniel Martínez Garbuno, EU Could Block IAG/Air Europa Merger – Report, *ch-aviation* (July 26, 2024), https://www.ch-aviation.com/news/143014-eu-could-block-iagair-europa-merger-report.
[208] Dentons, Aviation Sector Regulatory Update – Summer 2024 (Sept. 9, 2024), https://www.dentons.com/en/insights/articles/2024/september/9/aviation-sector-regulatory-update.
[209] Press Release, European Commission, Commission Sends Statement of Objections Over Proposed Acquisition of Air Europa by IAG (Jan. 24, 2024), https://ec.europa.eu/commission/presscorner/detail/en/ip_24_2306.
[210] Cormac O'Daly et al., EU Merger Control: What You Need to Know From 2024 to Navigate 2025, *WilmerHale* (Jan. 31, 2025), https://www.wilmerhale.com/en/insights/client-alerts/20250131-eu-merger-control-what-you-need-to-know-from-2024-to-navigate-2025.
[211] Supra Note 202.
[212] European Commission, Commission Approves EasyJet, IAG and AFKLM as Remedy Takers in the Context of ITA Airways Merger Control Investigation (Nov. 29, 2024), https://ec.europa.eu/commission/presscorner/detail/en/ip_24_6123.

thorough scrutiny of cases by the EC, along with contrasting outcomes, shows a very firm stance toward competition in the EU aviation market.

Legal research offers valuable insights into the trends and challenges of consolidation in the European Union's aviation sector and the application of competition law. One important area of scholarly debate is the effectiveness of slot divestitures as a primary remedy in airline mergers. According to some studies, competitors often do not use divested slots, and even when they do, that usage does not consistently translate into effective long-term competition on the relevant routes.[213] This gives rise to demands that the EC should be looking into more structural remedies and divestment of hard assets to ensure truly competitive markets. Legal analyses have emphasized the changing nature of merger control in the EU aviation sector, more than ever inclined towards intervention and questioning potential anti-competitive effects.[214] This observation is further bolstered by the stated intention of the new EU Antitrust Commissioner to strengthen the rules on airline mergers.[215] Scholars also investigate the intrinsic conflict between the potential benefits of airline consolidation in terms of efficiency and network optimization on one hand, and reduced competition, which may result in higher prices and reduced consumer choice on the other hand.[216] This work tends to emphasize balanced regulatory approaches that reflect the unique features of the aviation market and the potential long-term impact of mergers on competition and innovation. Furthermore, some legal research addresses national interests at stake concerning airline mergers, particularly about flag carriers such as ITA Airways and Air Europa.[217] The balancing of these national interests against the objective of sustaining a competitive single market presents a specific challenge for the EC.

In conclusion, the M&A developments concerning the European Union aviation show that all such transactions have been subject to strict scrutiny from the European Commission, highlighting the primary role of EU competition law in governing the sector. The EC's inclination towards, or rather synchronized move of, a more stringent antitrust review has only

[213] EU Travel Tech, Time to Walk Away from the Slot Machine – The EU's Changing Perspective on Airline Merger Remedies, EU Travel Tech (Feb. 21, 2024), https://eutraveltech.eu/time-walk-away-from-the-slot-machine-the-eus-changing-perspective-on-airline-merger-remedies/.
[214] Pieter Huizing & Natalia Gorina, EU Competition Law Developments in the Aviation and Space Sectors from 1 August 2023 to 29 February 2024, 49 AIR & SPACE L. 349 (2024), https://www.researchgate.net/publication/381593791_EU_Competition_Law_Developments_in_the_Aviation_and_Space_Sectors_from_1_August_2023_to_29_February_2024.
[215] Helwing Villamizar, *EU's New Antitrust Commissioner to Strengthen Airline Merger Rules*, AIRWAYS MAG. (Oct. 17, 2023), https://www.airwaysmag.com/legacy-posts/eu-new-antitrust-merger-rules.
[216] Marco Benacchio, Consolidation in the Air Transport Sector and Antitrust Enforcement in Europe, 8 Eur. J. Transp. & Infrastructure Res. 91 (2008), https://doi.org/10.18757/ejtir.2008.8.2.3336.
[217] Szymon Murek, Remedies in Airline Mergers in the European Union, 2017 Global Antitrust Rev. 45, https://www.qmul.ac.uk/icc/media/icc/gar/gar2017/4.Szymon.pdf.

been shown by its conditional approval of the Lufthansa/ITA Airways merger as well as denial to the IAG/Air Europa acquisition, marking its dedication to continuing protection of both competition and consumers under EU competition law.

Compared to India, the EU's proactive merger control and sector focus provide more clarity and enforcement efficiency. The Indian system could benefit from pre-merger notification thresholds, better sectoral coordination between the CCI and the aviation regulators, and transparency and time-bound reviews for safeguarding competition.

Thus, it shows that new developments have been made in M&A activity within the EU aviation industry, which continues to show that consolidation is happening, with major transactions involving sizable airline groups. These have all undergone very rigorous scrutiny by the European Commission, underscoring the critical importance of EU competition law in regulating the aviation sector.

4.4. M&A in China

In the course of history, an extensive consolidation has appeared in the Chinese aviation industry that was triggered in 2002 when several state-owned airlines were merged into three large groups: Air China, China Eastern Airlines, and China Southern Airlines so-called "Big Three." The consolidation was implemented by the state to increase the overall competitiveness and profitability of the industry.[218]

Legal research into the Chinese aviation industry follows closely the impact of earlier consolidation. It was, however, in 2002 that the research included the impact of airfares, market power, and competition overall. Some early studies showed that in some markets, there were modest increases in fares after the first consolidation due to some remaining airlines remaining in competition and/or the complementary mergers involved. However, other studies identified possible exercises of market power for certain hub-to-hub networks.[219]

Again, recent legal scholarship has explored LCC competition and high-speed rail fare ideas about future market structures and pricing strategies in Chinese aviation.[220] These factors external to the present competition are already changing the vista and could well determine the

[218] B. Beifert, A. Pavlov, & M. Stankevica, Sustainability Assessment of Airline Mergers and Acquisitions Using a Triple Bottom Line Approach, 11 Sustainability 3566 (2019), https://www.mdpi.com/2071-1050/11/13/3566.
[219] Zhang, A., & Round, D. K. (2009). The effects of China's airline mergers on prices. *Journal of Air Transport Management*, *15*(4), 177-182.
[220] M. Su et al., *The Competition Effects of Low-Cost Carriers and High-Speed Rail on the Chinese Aviation Market*, 95 TRANSP. POL'Y 37 (2020), https://www.sydney.edu.au/business/about/our-people/academic-staff/xiaowen.fu.html.

future shape of consolidation decisions, if any, between competitors and their approach to regulations. The Civil Aviation Administration of China (CAAC) is still one of the most influential regulators of the industry and its allocation of routes and entry into the market. The specific legal papers resulting from work over individual years on major mergers are not likely to be among the initial hits, but, on the whole, long-term effects of earlier consolidation and competitive dynamics due to new entrants and alternative transportation are also very pertinent to understanding the legal and regulatory environment of any future buyouts in the industry. Future megamergers will prima facie be subject to scrutiny by antitrust authorities, given that the anti-monopoly law has already been instituted by China in 2008.

1. Air China's Acquisition of Shandong Airlines (2023)[221]

In April 2023, Air China gained a controlling interest in Shandong Airlines Group for some CNY 10 billion, enhancing its market share in the dense aviation corridor of eastern China.[222] This acquisition intends to reinforce the presence of Air China in eastern China, thereby improving synergy in the regional operations. The merger could restrict competition on certain routes; therefore, it was put forth for pre-merger notification and antitrust review as per Article 21 of the AML.[223] The antitrust authority of China, the State Administration of Market Regulation (SAMR), evaluated possible market concentration and required extensive disclosure documents from Air China before clearing the deal.[224]

The acquisition was made by capital infusion and share transfer mechanisms approved by the Civil Aviation Administration of China (CAAC) and the State-owned Assets Supervision and Administration Commission (SASAC).[225] The acquisition also required compliance with China's Anti-Monopoly Law in legal terms, taking into consideration the potential effects on competition in domestic routes.[226]

The move enabled Air China to strategically enhance overlapping flight networks and reduce duplicate capacities to harmonize its fleets. The complexities in law regarding post-acquisition

[221] Chen Shanshan, Air China Takes Control of Struggling Shandong Aviation, Extends Lifeline to Shandong Airlines, YICAI GLOBAL (Mar. 23, 2023), https://www.yicaiglobal.com/news/air-china-takes-control-of-struggling-shandong-aviation-extends-lifeline-to-shandong-airlines.
[222] Air China Ltd., Public Announcement on Acquisition of Shandong Airlines, China Sec. Reg. Comm'n (Apr. 12, 2023).
[223]Anti-Monopoly Law of the People's Republic of China (P.R.C.) art. 21 (2008).
[224] SAMR, *Merger Notification Guidelines*, State Admin. for Mkt. Reg. (2020).
[225] Xinhua Net, Regulatory Approvals Granted for Air China-Shandong Airlines Deal (Apr. 15, 2023), https://www.xinhuanet.com.
[226] Anti-Monopoly Law of the People's Republic of China, Order No. 68 (promulgated Aug. 30, 2007).

integration were tied to the issuance of a common Air Operator Certificate (AOC) and compliance with bilateral air service agreements for international routes.[227] The acquisition further highlights the trend of Beijing's overarching policy of consolidation among state-owned airlines to enhance their competitiveness and reduce financial inefficiencies.

2. Nanxing's Getting hold of Shenzhen Funian Business Aviation (Q3 2024)[228]

During the third quarter of 2024, Nanxing (Shenzhen) Business Aviation acquired Shenzhen Funian Business Aviation for a reported $0.9 million, marking that acquisition as the largest-ever single aerospace M&A deal in China during that the entire sector was seeing a general slowdown in activity.[229] Even though the deal was small in value, it had enormous legal implications because of renewed Chinese interest in regulating private business aviation, where operators must comply with hard-line CAAC requirements concerning airworthiness and licensing of routes.[230]

Although the transaction did not meet the threshold set by the AML for mandatory antitrust review under the 2009 Provisions on Thresholds for the Notification of Concentration of Undertakings, it nonetheless raised questions about vertical integration and regional monopolization of private services for aviation.[231] Legal scholars have taken the position that all small deals, particularly those in strategic sectors like defense and aviation, should be scrutinized in order to deter potential anti-competitive behaviour.[232]

Moreover, this deal involved scrutiny under the Measures for the Administration of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, since Shenzhen Funian had minority foreign capital. The legal procedures included approval from the Ministry of Commerce (MOFCOM) and disclosure obligations under the Securities Law for Nanxing's listed parent entity.[233]

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[227] Liu Zheng, Strategic Realignment in China's Aviation M&A, 36 China Aviation L.J. 214 (2023).
[228] GlobalData, *M&A Activity in the Aerospace & Defence Industry in China Remained Flat in 2024*, Army Technology (Oct. 19, 2024), https://www.army-technology.com/data-insights/china-m-a-activity-aerospace-defence-industry/.
[229] PwC China, *M&A Insights: Aerospace and Defense Q3 2024 Report* (Oct. 2024).
[230] CAAC, *Business Aviation Licensing Guidelines*, Civil Aviation Admin. of China (2021).
[231] Provisions of the State Council on the Thresholds for Declaring Concentration of Business Operators, P.R.C. State Council, Decree No. 529 (2009).
[232] Angela Huyue Zhang, *Chinese Antitrust Exceptionalism: How the Rise of China Challenges Global Regulation* 112–115 (Oxford Univ. Press 2021).

[233] Haiwen & Partners, *Legal Compliance in Aviation M&A Transactions*, 18 China M&A Rev. 83 (2024).

3. HNA Group's Restructuring and Sale of Aviation Assets (2021–2022)[234]

This restructuring culminated in the transfer of HNA's aviation holdings-including Hainan Airlines, Tianjin Airlines, and others-to Liaoning Fangda Group by early 2022.[235] The restructuring plan was executed under the Enterprise Bankruptcy Law of China and included asset valuation, creditor settlement agreements, and regulatory transfer of AOCs.

HNA Group has undergone substantial restructuring after its bankruptcy declaration of 2021, during which time, it sold off its aviation assets, including Hainan Airlines, from 2021 to 2022. Most of those transactions were internal, but some would have triggered antitrust scrutiny due to asset concentration along regional routes.[236] The interventions of the SAMR, in such instances, have been limited due to policy concerns on stability and employment, thus demonstrating a rather precarious equilibrium between antitrust enforcement and economic policy in China.[237] Recent studies have hinted that such regulatory lenience might adversely affect competition in the market in the long run and stymie the growth of the private sector in aviation.[238]

China's management of M&A within the aviation industry, particularly through the lens of the Anti-Monopoly Law (AML), exhibits a systematic and pre-emptive regulatory approach. On transactions such as Air China's acquisition of Shandong Airlines (2023) and Nanxing's purchase of Shenzhen Funian Business Aviation (2024), the State Administration for Market Regulation (SAMR) offered timely and transparent scrutiny even for the smaller transactions. The restructuring of HNA Group (2021-2022) exhibited the pliability of the AML to be able to mainstream the economic reality while still maintaining vigilance. In contrast to India, where antitrust enforcement in aviation M&A is often devoid of sector-related scrutiny and timely interventions, the regulatory continuity in China seems considerably more robust. India could benefit greatly from China's experience by establishing clearer thresholds, empowering the Competition Commission of India (CCI) with sector-related guidelines, and furthering coordination between aviation authorities and antitrust authorities. In addition, the strategic

[234] Yujie Xue, HNA Group Divests Aviation Unit to Strategic Investor in Business Break-Up as Bankruptcy Reorganisation Progresses, S. China Morning Post (Dec. 8, 2021), https://www.scmp.com/business/banking-finance/article/3158886/hna-group-divests-aviation-unit-strategic-investor.
[235] Zhang Wei, *Judicial Management of HNA's Aviation Asset Transfers*, 42 J. Bankr. L. China 97 (2022).
[236] Shuo Li, *Restructuring HNA Group: Bankruptcy and Antitrust Oversight in China's Aviation Sector*, 15 J. Comp. L. & Econ. 367, 370 (2022).
[237] Wendy Ng, *Antitrust Enforcement in China's State Capitalism*, 63 Antitrust Bull. 89, 95 (2018).
[238] Yihan Dai, *Antitrust, Industrial Policy, and Aviation Reform in China*, 10 China L. & Pol'y Rev. 45, 52 (2023).

options that promote this relationship involve conducting front-loaded reviews for disclosures on aviation M&A and monitoring transactions to ensure compliance with fair competition and industry growth.

4.5. M&A in Brazil

The recent consolidation wave occurring in Brazil's aviation sector finds itself against the backdrop of certain economic stresses and changes in market dynamics. The COVID-19 pandemic had a substantial effect on air travel and financially distressed many airlines, forcing strategic readjustments, including M&A to secure a future for the airlines themselves.[239] Financial and corporate restructuring, being effective and providing a way to adapt to the new travel atmosphere, has simply served to increase their motivation to seek consolidation for greater financial stability and operational resilience. These peculiarities surrounding the Brazilian market-such as its extensive geographical expanse and the important role of air travel for national integration-simply complicate the consolidation equation further.

The Brazilian domestic air aviation market has historically been characterized by the domination of three principal market players: Gol Linhas Aéreas, Azul Linhas Aéreas, and LATAM Brazil. As of early 2025, their approximate market shares (based on domestic passenger kilometers and flight capacity) are:[240]

Airline	Estimated Market Share (2025)
LATAM Brasil	~35–40%
Gol Linhas Aéreas	~30–33%
Azul Linhas Aéreas	~25–28%
Others (regional & charter)	~2–5%

These three players control almost 95% of the domestic aviation market, and any merger among them would lead to an effective formation of a duopoly or perhaps a monopoly, raising serious questions regarding antitrust and consumer welfare.

1. **LAN–TAM Merger (2012)[241]**

[239] Luciana Magalhaes & Gabriel Araujo, Brazil Government Supports Gol-Azul Merger to Strengthen Airline Sector, Reuters (Jan. 28, 2025), https://www.reuters.com/markets/deals/brazil-government-supports-gol-azul-merger-strengthen-airline-sector-2025-01-28/.
[240] ANAC (Agência Nacional de Aviação Civil) 2024 Q4 Data; Reuters Reports (2025)
[241] Conselho Administrativo de Defesa Econômica (CADE), Ato de Concentração no. 08012.009497/2010-81 (2012).

In 2012, the merger of Chile's LAN Airlines with Brazil's TAM Linhas Aéreas gave birth to LATAM Airlines Group, constituting an important landmark for Latin American aviation.

CADE's Approval with Conditions: Although CADE approved the merger, it only approved it subject to a set of structural and behavioural remedies aimed primarily at reducing any competitive harms arising from the merger.

Slot-sharing and Route Access included conditions:

I. Slot-sharing at congested airports, like São Paulo Congonhas, would allow competitor market entry.
II. Retention of services in certain domestic routes to prevent abandonment of routes.
III. Mandatory cooperation and integration with competitors on overlapping international routes, specifically the São Paulo–Santiago corridor.

Importance: This case demonstrated CADE's inclination toward behavioural remedies to strike a balance between airline combinations and fairness in the market.

2. **Avianca Brazil's Asset Auction (2019)[242]**

Following Avianca Brazil's insolvency in 2019, CADE organized an auction at which only the assets up for grabs had airport slots, critical determinants of market share.

- Division among Multiple Buyers to Avoid Monopoly:

I. The slots were divided among major players: Gol, Azul, and LATAM.
II. This strategy was meant to preserve market plurality and prevent excessive dominance by a single player.

- Post auctions: Reconcentration of Market:

Though auctioned diversely, Gol and Azul still manage to consolidate in a way into a power consolidation. The market reconcentration, thus, indirectly portrays poor consumer choice and affects their pricing power within some strategic domestic routes.

3. **Current Trend: Azul-Gol Merger Proposal (2025)**

There is a high expected scrutiny from CADE upon the proposed merger between Azul and GOL, predominantly combined by the market share, which will be a whopping 60% in domestic aviation. The main concern is competition reduction in overlapping routes and at key

[242] CADE, Processo Administrativo no. 08700.001390/2019-93.

airports, like São Paulo's Congonh airline entries.[243] CADE is likely to opt for detailed competition analysis and weigh it against the arguments presented by the merging parties in favour of the transaction against the potential risks of harming consumers in the market at large.[244]

"Amalgamation of GOL shall most definitely hit the anti-trust walls." That is the consideration on this merger involving "Azul." The joined market shares account for a high 60% of the domestic airline industry in Brazil. It raises competition-reduction concerns about overlapping routes and key airports such as São Paulo's Congonhas Airport, where the presence of both carriers is substantial.[245] CADE is likely to solicit the most thorough analysis concerning the impacts on competition, weighing the arguments advanced by the merging parties in favour of the transaction against the detriment risk for consumers and the overall market.

The increased market share, from a competition perspective, raises worries about airfares that may be higher and decreased consumer choice that may stem from reduced competition.[246] CADE must weigh whether the potential efficiencies and other benefits outweigh these risks.

CADE may consider imposing remedies as a prerequisite for the approval of the merger between Azul and GOL, emphasizing the precedents of mergers of airlines in Brazil.[247] The remedies could include the divestiture of overlapping routes, likely giving up airport slots to other airlines, or the release of airport slots at congested airports to facilitate entry or expansion by competitors. The efficiency of these remedies in ensuring competition will be one of the foremost considerations for CADE. The legal perspective concerned with the CADE investigation would be pointing towards the contemplated Azul-GOL merger as a relevant aspect of market concentration, competition, and consumer welfare in such transactions.

The increased market power of established incumbents, like the contemplated Azul-GOL merger, will make it increasingly difficult for new entrants to compete in the markets. Against

[243] Ahmed Elmeligy, Brazilian Government Endorses Gol-Azul Merger, Airways Mag. (Jan. 28, 2025), https://www.airwaysmag.com/new-post/brazil-endorses-gol-azul-merger.
[244] *Azul-GOL Merger Would Be Good for Brazil – Minister*, ch-aviation (Jan. 26, 2025), https://www.ch-aviation.com/news/149921-azul-gol-merger-would-be-good-for-brazil-minister.
[245] Reuters, Analysis—Azul-Gol Airline Merger Could Be a 'Necessary Evil' in Bumpy Brazil Market, Reuters (Jan. 22, 2025), https://today.westlaw.com/Document/I9e961860d8e211ef89d1b169ce2312c0/View/FullText.html.
[246] Aero News Journal, Brazil Government Backs Gol-Azul Merger to Strengthen Airline Sector, Aero News Journal (Jan. 29, 2025), https://www.aeronewsjournal.com/2025/01/brazil-government-backs-gol-azul-merger.html.
[247] Richard Mann, Brazil's Aviation Overhaul: Azul and GOL's Merger to Command Skies, The Rio Times (Apr. 22, 2024), https://www.riotimesonline.com/brazils-aviation-overhaul-azul-and-gols-merger-to-command-skies/.

this backdrop, control over prime airport resources such as take-off and landing slots, especially at major airports, emerges as an even more obvious barrier.[248] The economies of scale enjoyed by the larger consolidated airlines can create cost advantages that are almost insurmountable to the newly forming entrants. Increased barriers to entry may negatively affect competition in the future, thus hampering the dynamics of the market, whereby less innovation and ultimately fewer options for the consumer may be expected.

To conclude with, the Brazilian aviation market in early 2025 is dominantly Azul (34%) and GOL (27%), having more than 61% of domestic air travel.[249] About 34% of the Brazilian market is held by LATAM Airlines Brazil, whereas the rest part is occupied by smaller regional players. The proposed merger of Azul and GOL would lead to the creation of a large airline group, henceforth dominating air travel in Brazil and leaving consumers with reduced modes of competitiveness, encouraging monopolistic behaviour.

The Indian aspect of the aviation market runs parallel to the consolidation of Air India, Vistara, and AirAsia India, the Tata Group now has under its control about 25% of the market. The largest independent competitor, IndiGo, is still around 65%, while the 5% balance is accounted for by a few smaller players like Akasa Air and SpiceJet.[250] Like Brazil, this market is fast becoming duopolistic, dominated by just two major contenders.

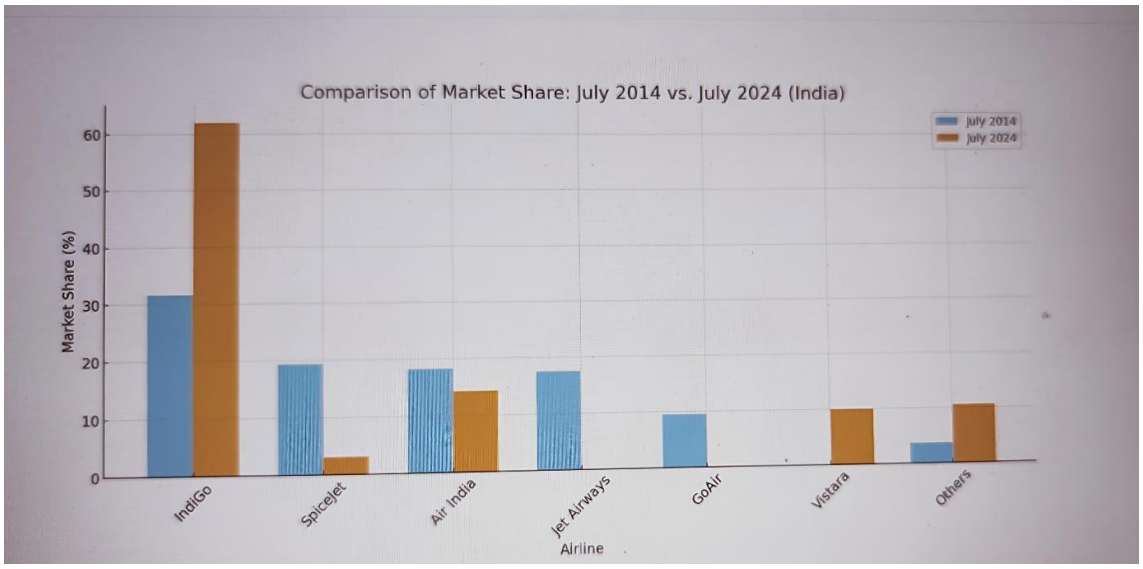
Consolidation operations underway in both Brazil and India are institutions that threaten market competition. In the present case, two carriers (the Tata Group and Indigo, in India, and the proposed merger of Azul and GOL and LATAM Airlines, in Brazil) control approximately 90-95% of the market each. This event triggers a significant premise on antitrust concerns. It is under this consideration that the regulatory bodies must act toward fare hikes, removing barriers for market entry, and keeping options available for consumers in the aviation sector.

[248] ICLG – Aviation Laws and Regulations – Brazil Chapter, ICLG (Mar. 7, 2025), https://iclg.com/practice-areas/aviation-laws-and-regulations/brazil.
[249] Gol-Azul Merger to Undergo Extensive Review by Antitrust Watchdog, BRICS Competition (Jan. 20, 2025), https://bricscompetition.org/news/gol-azul-merger-to-undergo-extensive-review-by-antitrust-watchdog.
[250] India's Domestic Air Traffic Rises 11% in February 2025, IndiGo Leads Market Share, Mathrubhumi (Mar. 27, 2025), https://english.mathrubhumi.com/news/money/indias-domestic-air-traffic-rises-february-indigo-lead-1.10460046.

Chapter 5: Market Implications and Post-Merger Impact on Aviation Industry Competition

In the field of M&A, the Indian aviation sector has been undergoing a massive transformation, whereby the following factors are reshaping the competition in the market: economies of scale, valuation disparities, flight fares, operational efficiencies, financial performance of Airline companies in India, and consumer choice. The post-merger phase provides a very complex matrix with multiple outcomes, mainly for shareholders, consumers, airlines, and regulators.

Market Analysis and Comparison of Airlines Companies



Note: The above information is based on available data up to July 2024. For the most accurate and current figures, refer to the latest reports from the Directorate General of Civil Aviation (DGCA), NSE, and BSE.

The analysis takes the bar graph into account that is illustrating that there has been significant alteration in the market from 2014 to 2024. A market share comparison among top Indian airlines in July of 2014 and 2024 really shows major changes in market dynamics over this decade.

Key Takeaways:

IndiGo's Dominance: Heading up to the year 2024, the market share of IndiGo increased significantly from 31.6% to 62%, signifying that it surely emerged as the potent player in Indian

aviation. While many factors contributed to such spectacular growth, operational efficiency, low-cost strategy, and reasonably vast domestic coverage have been more significant.

Decline of Legacy and Mid-Tier Carriers:

In place of two formidable players of 2014, Jet Airways and GoAir, there are none in the picture of 2024 due to economic and managerial failure.

The market share of SpiceJet fell from 19.4% to 3.1%, indicating greater woes in the face of consolidation and operational challenges.

Rise of Airlines Owned by the Tata Group:

With Air India accounting for 14.3% and Vistara 10%, together they hold a combined 24.3% share of the market, emerging as the only other significant competitor to IndiGo.

This was linked to Tata Group's consolidation and merger strategy, evolving as a full-service alternative.

Lower Competition:

In 2014, the market shares were distributed among a competitive market with multiple significant players, none dominating over half the industry. The competition was diverse, promoting fair competitiveness and varied service offerings.

By 2024, with Tata Group and IndiGo controlling more than 85% of the domestic market, the competition will have considerably weakened, which will also certainly influence the fare structure and service innovations. IndiGo expanded drastically to **62%**, becoming the clear market leader. Air India and Vistara (both Tata Group) collectively hold **24.3%**, positioning the group as a secondary stronghold. Smaller carriers and other newer carriers like AIX Connect, and some regions, find it hard to survive in a highly consolidated industry.

Conclusion:

This transformation indicates that the industry has moved from being an oligopoly to a pure duopoly, with heightened competition from IndiGo and the Tata Group. While consolidation may improve the operational efficiency of the airline and render the optimal fleet size, such a situation also raises concerns about escalated fares, and limited choice for the consumer, particularly on monopolistic routes.

The regulatory challenge is now to see that this dominance does not translate into anti-competitive behaviour while facilitating the sustainable functioning of the airlines in this overburdened industry.

5.1 Changing Market Dynamics Post-M&A: Impact on Shareholders and Minority Rights

The aviation industry, confronted with high capital costs and great competitive rivalry, frequently engages in M&A that significantly reshape the market dynamics. Very often, the merged entity enhances its market position, resulting in less competition and new pricing strategies, with market share being the singular factor having far-reaching effects on the shareholders and minority rights.

For the shareholders of the acquired company, the acquisition might raise a premium on their shares, thereby creating an immediate cash-out opportunity. For shareholders of the acquiring company, the result is less certain and very much depends on the success of integration and the achievement of synergy.[251]

The consolidation of airlines typically results in a shift in market power distribution in favour of the larger, newly merged airline. This may mean that the perception of synergies and market confidence immediately enhances shareholder wealth. However, evidence suggests that long-term returns are based on successful integration and strategic fit.[252]

Minority shareholders are often disadvantaged due to unequal access to merger terms and reduced influence over corporate governance.[253]

Post-consolidation restructuring could often lead to dilution of the company shares or a change in control, imposing a need for strict legal safeguards.[254]

Post-M&A, minority shareholders face a lot of vulnerabilities. Their influence might be diluted in the larger entity, and decisions taken by the majority may not always be in accord with their interests.[255] Some merged airlines, like Jet Airways and Air India, were found to have

[251] Investopedia, How Does a Merger Affect Shareholders? *Investopedia* (Apr. 8, 2015), https://www.investopedia.com/ask/answers/040815/how-does-merger-affect-shareholders.asp.
[252] Jay Desai & Nisarg Joshi, *A Study of Mergers & Acquisitions in Aviation Industry in India and Their Impact on the Operating Performance and Shareholder Wealth*, 7 INT'L J. MGMT. & COM. RES. 85 (2020).
[253] Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, Regulations. 3 & 4, as amended through May 17, 2024, available at https://www.sebi.gov.in/legal/regulations/may-2024/securities-and-exchange-board-of-india-substantial-acquisition-of-shares-and-takeovers-regulations-2011-last-amended-on-may-17-2024-_69218.html.
[254] Companies Act, No. 18 of 2013, Section 230, Gazette of India, Extraordinary, Part II, § 1 (India).
[255] Minority Shareholders in Mergers and Acquisitions: Legal Frameworks and Rights, *Priv. Equity Bro.* (n.d.), https://privateequitybro.com/minority-shareholders-in-mergers-and-acquisitions-legal-frameworks-and-rights/.

significant improvements post-merger, while others, like Kingfisher Airlines, showed financial performance deterioration owing to some serious financial crises.[256] Protections like appraisal rights, allowing minority shareholders to get a fair value of their shares in case they dissent from the merger, become very important.[257] Fiduciary duties of the board and majority shareholders to act in the best interest of all shareholders, including minorities, are very important.[258]

The impact of mergers and acquisitions in the Indian aviation sector has been profound regarding their effects on the share swap ratios relating to minority shareholder rights of the company. Share swap ratios, which determine the number of shares the acquiring company will offer per share of the target company, and which are important for treating all shareholders equitably, with the absence of such an application leading to dilution of minority shareholders' wealth.

The legal structure for M&A in India is generally sound, even so, minority shareholders may be insufficiency safe against exploitation at times. The same might be said if instances exist in which majority shareholders were able to take advantage of their position and approve a merger that was not entirely in the best interest of minority stakeholders. That discrepancy calls for augmenting the regulatory mechanism with minority shareholders' proactive involvement to enhance fair treatment.

Minority shareholders may find themselves in difficult situations after M&A. Consolidation may result in a reduced influence on corporate decisions and possible dilution of the value of shares. In the Air India-Vistara merger, previously holding 49% in Vistara, Singapore Airlines shall now own 25.1% in the merged entity, which in turn may affect the influence on strategic decisions.[259] Additionally, questions arise about safeguards for minority shareholders when mergers are approved by the Competition Commission of India (CCI) even when there are

[256] Kiran Phukon et al., Impact of Mergers and Acquisitions on Financial Performance of Select Airline Companies in India, *ResearchGate* (2023), https://www.researchgate.net/publication/374788490.
[257] Four Rivers Law Firm, The Legal Minority Shareholder Rights in a Private Company (Oct. 30, 2024), https://www.fourriverslaw.com/blog/2024/minority-shareholder-rights/.
[258] Ensuring Fairness in M&A Transactions: Advocacy for Shareholder Rights, *Ask Advocates Law Chamber* (Mar. 31, 2025), https://askadvocates.com/ensuring-fairness-in-ma-transactions-advocacy-for-shareholder-rights/ensuring-fairness-in-ma-transactions_-advocacy-for-shareholder-rights/.
[259] Shipra Parashar, Year-Ender 2024: Air India-Vistara Merger – The Biggest Aviation Event That Changed the Way India Flies, *Fin. Express* (Dec. 16, 2024), https://www.financialexpress.com/business/airlines-aviation-year-ender-2024-air-india-vistara-merger-the-biggest-aviation-event-that-changed-the-way-india-flies-3692855/.

problems regarding market dominance. The CCI's consumer-centric focus might override the subtlety of effects caused upon a minority stakeholder.[260]

The Indian aviation sector is a great case study in that it revolves around the increasing consolidation of the market around IndiGo and the Tata group (which comprises Air India, Air India Express, and Vistara). As of January 2025, IndiGo has a share of 65.2% market, while the Tata two together hold 25.7%.[261] This duopoly represents over 90% of the domestic market and changes the competitive landscape significantly. While such consolidation may enable economies of scale and provide the route network for more consumers, the reality leaves many worries about reduced competition and effects on pricing and service quality. Some minority shareholders from the pre-merged entities may now find their bargaining power reduced in this concentrated market.

With this merger, the competitive aspects of the Indian aviation industry have suddenly taken a new turn. Consequently, the merged entity will be a formidable competitor against Indigo, possibly creating a duopolistic market structure.

The competitive face of the Indian aviation industry has suddenly changed with the merger of Air India and Vistara. The merger puts their combined strength against Indigo to become a great rival, which may eventually lead to a duopolistic structure. Such concentration in the industry also reduces competition, increasing fares and limiting options available to consumers.

Bodies like the Competition Commission of India (CCI), inter alia, regulate mergers to ensure they do not cause any appreciable adverse effect on competition within the market.[262] The CCI reviews both the unconsummated mergers to prevent monopolistic tendencies and unhealthy competition.[263] In the ongoing situation of mergers and acquisitions in aviation, ensuring transparency and proper valuation during the M&A would protect the rights of all the shareholders, especially the minority shareholders.[264]

5.2. Effect on Pricing Strategies, Passenger Fares, and Consumer Choice

[260] Vistara–Air India Merger: A Competition Law Study, *The Corp. & Competition L. Rev.* (Mar. 2024), https://www.tcclr.com.
[261] Livemint, IndiGo Records Highest Market Share as Air India Continues to Slip After Merger in January (Jan. 2025), https://www.livemint.com/auto-news/indigo-records-highest-market-share-as-air-india-continues-to-slip-after-merger-in-january-11740731792640.html.
[262] Dezan Shira & Assocs., Competition Commission of India on Mergers and Acquisitions (June 29, 2011), https://www.dezshira.com/updates/2011/06/competition-commission-of-india-on-mergers-and-acquisitions.html.
[263] LawCrust Legal, Mergers and Acquisitions in India – A Guide, *LawCrust Legal* (Oct. 2024), https://lawcrust.com/mergers-and-acquisitions-in-india/.
[264] Supra note 246.

The implication for pricing policy, passenger fares, and consumer choice is that there is increasing market consolidation in the Indian aviation sector, especially with the pre-eminence of IndiGo with a market share of 65.2% as of January 2025, along with the combined 25.7% share of the Tata group.[265] Mergers could reduce price competition, allowing the merged carriers to wield more power over pricing.

The privatization of Air India has greatly tilted the aviation space in India toward private ownership. Private carriers are generally believed to operate more efficiently; however, in the process, they could sacrifice public service objectives such as regional connectivity for the sake of profitability.[266]

Post-merger studies of Air India-Vistara point towards a possible increase in average fares on overlapping routes with minimal alternate carriers. However, in some instances, synergistic cost take-offs have helped airlines to bring down fares in competitive sectors.[267]

Government carriers, historically seen as less agile, have had a vital role in ensuring access to underserved regions, especially under the UDAN scheme.[268]

Following the merger, aggressive pursuit of optimization of routes has occurred. Integration of Air India with Vistara and Singapore Airlines opens possibilities of realigning routes, thereby enhancing fleet efficiency and international reach.[269]

Reduced competition in a duopoly of Indigo and the Tata group, with more than 90% of the domestic market share, would spell an increased fare.[270] While M&A on economies of scale theoretically leads to lower prices, the prevalence of reduced competition may compel the increased fare maintenance or even an increase by the most dominant carriers, like Indigo,

[265] Sucheta Dalal, At 55.9% Market Share in Feb, IndiGo Led; Airlines Received 359 Complaints, Money life (Mar. 20, 2023), https://www.moneylife.in/article/at-559-percentage-indigo-led-market-share-in-feb-airlines-received-359-complaints/70202.html.
[266] Bhavya Velani, *Why Flag Carriers Are Privatizing in the Indian Subcontinent?* AVIATION A2Z (Nov. 12, 2024, 10:30 AM), https://aviationa2z.com/index.php/2024/11/12/why-flag-carriers-privatizing-in-indian-subcontinent/#:~:text=1.,The%20Case%20of%20Air%20India&text=Air%20India's%20privatization%20marks%20one,continue%20funding%20operations%20without%20restructuring.&text=Political%20Interference:%20Frequent%20government%20intervention,excessive%20debt%20and%20interest%20payments.
[267] Poonam Dwivedi, Navigating the Skies: An Overview of Aviation Law in India, 13 Ind. Aviation J. 45 (2022), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4708702.
[268] Ministry of Civil Aviation, *UDAN Scheme Guidelines* (2017).
[269] Press Information Bureau, *Air India–Vistara Merger Update* (Dec. 2023), https://pib.gov.in
[270] Reuters, India's IndiGo Airline Posts Q3 Profit Drop as Rupee Depreciates (Jan. 24, 2025), https://www.reuters.com/business/aerospace-defense/indias-indigo-airline-posts-q3-profit-drop-rupee-depreciation-2025-01-24/.

especially those routes where their dominance is pronounced.[271] Consumers have few options due to route rationalization after consolidation, when they cut less profitable routes. This might affect passengers traveling from smaller towns or those who require certain connections.

The CCI approved the merger between Air India and Vistara, noting the potential anti-competitive ramifications of such a merger, such as collusive pricing.[272] The CCI made it clear that, in giving its consent to this merger, certain minimum capacity on some routes was to be maintained by the merged entity, thereby expressing its apprehension about fare hikes on account of decreased competition.[273]

IndiGo, a household name dominating the industry and said to be the world's most valuable airline as of April 2025, is confronted with complaints from consumers in Indian Aviation.[274] Other grievances include:

Consumer grievances related to IndiGo, despite its operational efficiency, offer insight into the potential downside of market dominance. Reports indicate cases of high cancellation rates that disrupt travel plans and impose extra costs on passengers.[275] Consumer complaints have also been voiced about delays in responding to customer service inquiries, baggage handling, and delays in getting refunds.[276]

Tata Group's expansion is likely to bring in competition, but it may spur consumer-hurtling challenges. It is indeed going to be a tough job integrating the culture and operational systems of Air India and Air India Express, and Vistara. Initial service inconsistencies and disruptions could easily arise.[277] The merged entity's pricing strategy will be keenly monitored. There is a

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[271] IndiGo's Market Share Rises to 65.2 Percent in January Amid Domestic Air Growth, Bajaj Broking (Feb. 21, 2024), https://www.bajajbroking.in/blog/indigos-market-share-rises-to-65-2-percent-in-january-amid-domestic-air-growth.

[272] Competition Concerns of the Air India-Vistara Merger in the Aviation Industry, *The Corporate & Commercial Law Review* (Jan. 2, 2024), https://www.tcclr.com/post/competition-concerns-of-the-air-india-vistara-merger-in-the-aviation-industry.

[273] Ansruta Debnath, Unveiling the Antitrust Dynamics of the Air India-Vistara Merger, RMLNLU L. Rev. Blog (Mar. 1, 2024), https://rmlnlulawreview.com/2024/03/01/unveiling-the-antitrust-dynamics-of-the-air-india-vistara-merger/.

[274] ET Online, Angry Passenger Alleges IndiGo Denied Her Boarding Despite Confirmed Ticket, Says Priority Given to High-Fare Customers, The Economic Times (Feb. 25, 2025), https://economictimes.indiatimes.com/news/new-updates/angry-passenger-alleges-indigo-denied-her-boarding-despite-confirmed-ticket-says-priority-given-to-high-fare-customers/articleshow/118548996.cms.

[275] Contrail Aviation Sch., IndiGo Appears on the "World's Worst Airlines" List; Airline Disputes Findings (Dec. 5, 2024), https://contrail.in/indigo-appears-on-the-worlds-worst-airlines-list-airline-disputes-findings/.

[276] Press Trust of India, Airlines Received 359 Passenger-Related Complaints in February: DGCA, MONEYCONTROL (Mar. 17, 2023, 7:54 PM), https://www.moneycontrol.com/news/india/airlines-received-359-passenger-related-complaints-in-february-dgca-10276871.html.

[277] Press Release, Air India, Vistara Merger Completed: Second Airline Merger in India (Apr. 17, 2025), https://www.airindia.com/in/en/newsroom/press-release/vistara-merger-completed-second-airline.html.

risk of fares dropping to a higher level if this merger leads to reduced competition over key routes. Route rationalization may well affect the choice on the part of consumers because the merged entity likely optimizes its network, which could result in less choice for passengers on the less popular routes.[278]

India's aviation sector leader, IndiGo, may now be facing strengthened competition owing to the consolidation of the Tata Group. IndiGo's low-cost model has helped the airline grow, while the enhanced network and service offerings of the merged Air India could entice a handful of passengers who are full-service oriented. This could exert some pressure on IndiGo's market strategies. On the contrary, various reports argue that IndiGo is confident about the growth plans, stating that market consolidation can only enable better global competitiveness.[279]

- **Pricing Policy and Passenger Fares**: If competition were diminished, pricing could become less competitive. For example, on routes where only IndiGo and the Tata Group compete, fares would be higher since there are no alternative options. While the government would certainly want to keep an eye on unreasonable fares, a consolidating marketplace could strengthen the airlines' hands in deciding pricing, translating into ever-increasing passenger fares, particularly on routes where the level of competition is lower.[280]
- **Consumer Choice:** Consolidation can limit consumer choice, but it can also enhance route networks and connections, possibly to the advantage of some passengers. With fewer airlines, passengers may have fewer options for routes, timings, and service. This poses serious dilemmas, especially for passengers in small cities or less-trafficked routes.[281]

Even after being merged, regional routes were traditionally ignored because of their low margins. But with UDAN to back up, the merged airlines would rather abandon the low-yield routes and fly into capital cities. This has raised concerns about equity and access in remote

[278] Nisarg A. Joshi & Jay Desai, *A Study of Mergers & Acquisitions in Aviation Industry in India and Their Impact on the Operating Performance and Shareholder Wealth*, 4 Emerging Mkts. Fin. eJ. 39 (2012).
[279] *Tariffs: IndiGo CEO Says Long-Term Plans Won't Be Impacted*, The Econ. Times (Apr. 13, 2025), https://economictimes.indiatimes.com/industry/transportation/airlines-/-aviation/tariffs-indigo-ceo-says-long-term-plans-wont-be-impacted/articleshow/120256791.cms.
[280] *The Sky's the Limit: India's Bold Moves to Tackle Airfare Irregularities and Reform Aviation Laws*, 100knots (Mar. 6, 2024), https://www.100knots.com/the-skys-the-limit-indias-bold-moves-to-tackle-airfare-irregularities-and-reform-aviation-laws.
[281] *Airline Mergers and Competition Law: Impact on Prices and Consumer Choice*, Zenodo, https://zenodo.org/record/[insert-record-number] (last visited Apr. 12, 2025).

areas.[282] Alliances offer benefits like shared lounges, coordinated schedules, and optimized network presence, which enhances service quality.[283]

The impact of this duopoly on fares would depend on the extent of regulatory scrutiny and the CCI's ability to ensure fair competition. If the Tata group were to expand after the merger, it might create pressure of competition, but right now, IndiGo's market share gives it undue pricing power.[284]

5.3. Route Optimization

Tata Group is now massively into route optimization after acquiring Air India and merging with Vistara and AirAsia India. The aim is to optimize the network and eliminate overlaps while enhancing connectivity through major hubs like Delhi. Such a strategy is helping improve aircraft utilization and subsequently offering more efficient travel options for passengers. For example, Air India shall consolidate Delhi for its domestic-international network and use the Vistara fleet and network.[285]

On the other hand, IndiGo has generally concentrated on a point-to-point network model that emphasizes high aircraft usage and quick turnaround times. This model has worked well for IndiGo for many years within the low-cost segment operations. The airline has strengthened its international presence with 37 destinations, with a focus on providing point-to-point connectivity and growing into underserved international markets such as Tbilisi and Baku. On the international short-haul scene, IndiGo's strategy is to deploy narrow-bodied aircraft, keeping efficiency first and foremost.[286] Still, IndiGo is also taking the plunge with network expansion and new market entry that will include international routes.[287] The rivalry between these two diverse network strategies will be one of the most critical determinants of the future of Indian aviation. To make use of artificial intelligence to augment its performance parameters

[282] Ministry of Civil Aviation, *UDAN Performance Report* (2023).
[283] Sridhar, A., Competition Issues in Air Transport Sector and Indian Aviation Policy: A Critical Analysis (Ph.D. dissertation, Osmania University 2022), available at http://hdl.handle.net/10603/472664.
[284] *India's Domestic Aviation Growth Hits 11% as IndiGo, Akasa Air Gain Market Share*, AngelOne (2025), https://www.angelone.in/news/aviation-traffic-record-domestic-airlines-performance.
[285] Mohanbir Sawhney & Debdutta Choudhury, *Tata Group and Air India: Optimizing Brands, Routes, and Operations in the Airline Portfolio* (Kellogg Sch. of Mgmt., Jan. 9, 2024), https://sk.sagepub.com/cases/tata-group-air-india-optimizing-brands-routes-operations-airline.
[286] Swaraj Baggonkar, Indian Carriers Near 50% Market Share on International Routes, *Fin. Express* (Jan. 30, 2025), https://www.financialexpress.com/business/airlines-aviation-indian-carriers-near-50-market-share-on-international-routes-3730455/.
[287] *Tariffs: IndiGo CEO Says Long-Term Plans Won't Be Impacted*, The Economic Times (2025), https://economictimes.indiatimes.com.

for generating optimized flight routes, the power of algorithms such as XGBoost is used in predicting the shortest and most efficient paths.[288]

Further promoting optimization in routing, the integration of Artificial Intelligence (AI) and Machine Learning (ML) has revolutionized intelligently handle historical and current information to optimize routes, reduce transport time, and minimize operational costs.

5.4. Financial Performance and Valuation

The financial standing of the amalgamated Tata Group entity appears very complicated. The merger is supposed to establish a financially promising full-service carrier, as data from the financials of Singapore Airlines indicates that there is a one-time benefit from the merger between Air India and Vistara.[289] While the immediate financial impact includes merger-related expenses, the long-term outlook focuses on revenue enhancement through network expansion, improved service quality, and increased market share. The valuation of the merged entity is complex, considering Air India's legacy debt and ongoing restructuring.[290]

IndiGo's good financial performance is due to its low-cost structure, operational efficiency, and market dominance. Valuations factor in profitability over time and growth prospects.[291] IndiGo faces challenges like soaring fuel prices, aggressive competition from the Tata Group, and restrictions on expanding the network while maintaining its cost advantage. The Tata Group now consolidates and aggressively nurtures the full-service segment, creating competitive pressure, which may inhibit IndiGo's future loss of market share and profitability.

IndiGo is the market leader in the Indian domestic market. By January 2025, IndiGo's market share was about 65.2%, while the Air India Group had a market share of about 25.7%.[292] This confirms IndiGo's strong competitive position. The merger between Tata and Air India intends to create a stronger competitor to IndiGo to build market share. The larger fleet, greater network, and better service offered to Indian customers by the combined entity are expected to

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[288] Anagha Shinde, Role of AI to Improve Performance Parameters to Generate Optimized Flight Routes, 11 *Int'l J. Innovative Res. Electr., Electron., Instrumentation & Control Eng'g* 116 (2023), https://ijireeice.com/papers/role-of-ai-to-improve-performance-parameters-to-generate-optimized-flight-routes/.

[289] *Singapore Airlines Can Thank Air India-Vistara Merger for 2x Profit in Q3*, The Econ. Times (2025), https://m.economictimes.com/news/international/business/singapore-airlines-can-thank-air-india-vistara-merger-for-2x-profit-in-q3/articleshow/118416130.cms.

[290] *Market Shifts: Mergers, New Entrants and Fleet Expansion Shaping the Aviation Landscape*, Indian Infrastructure (Apr. 7, 2025), https://indianinfrastructure.com/2025/04/07/market-shifts-mergers-new-entrants-and-fleet-expansion-shaping-the-aviation-landscape/.

[291] Bajaj Broking, *IndiGo's Market Share Rises to 65.2% in January Amid Domestic Air Growth* (2025), https://www.bajajbroking.com/news/indigos-market-share-january-2025.

[292] *IndiGo Records Highest Market Share as Air India Continues to Slip After Merger in January*, Livemint (2025), https://www.livemint.com.

cater to a much larger clientele. However, IndiGo's strong presence in the market, combined with operational efficiency and cost leadership, will continue to weigh in its favour. The shifting scenario of market shares will be crucial in shaping the competitive arena of Indian aviation in the future. Reports suggest that IndiGo is still gaining market share, while consolidation is on the way for the Air India Group.[293]

The privatized facilities introduce efficiency and raise concerns about monopolies that could use their positions to rip people off.[294]

Regional connectivity in India appears promising yet remains fraught with challenges. The UDAN scheme launched by the government attempts to enhance air connectivity in the underserved and unserved areas of the country; however, various obstacles have plagued its implementation. Smaller operators usually find difficulty in meeting operational expenses for such routes, including fuel costs, airport charges, and maintenance expenses.[295]

The stunted demands and subdued passenger load factor on innumerable regional routes simply do not seem to allow an airline to make a profit. Infrastructure limitations at these smaller airports in terms of deficient runways, navigational aids, and passenger facilities, all of which hurt regional connectivity development.[296] Besides operational efficiency, this lack of infrastructure works against passenger convenience and dampens the market growth potential. With various regulatory headaches, another burden is getting approvals for the smaller airlines.

5.5. Operational Efficiency and Effectiveness

"Operational efficiency is primarily a metric that measures the efficiency of profit earned as a function of operating costs. The greater the operational efficiency, the more profitable a firm or investment is. This is because the entity can generate greater income or returns for the same or lower cost than an alternative."[297]

Well, in these times, the M&As have been instrumental in reshaping the operational paradigms in Indian aviation. For example, it brings in the merger of Air India and Indian Airlines under the same umbrella, which is aggregating resources, consolidating operations, and eliminating

[293] Directorate General of Civil Aviation, *Monthly Domestic Traffic Reports* (2025), https://dgca.gov.in.
[294] World Bank, *Infrastructure PPP Guidelines* (2020), https://ppp.worldbank.org/public-private-partnership/.
[295] Drishti IAS, Challenges Faced by Regional Connectivity Scheme, *Drishti IAS* (Aug. 2, 2023), https://www.drishtiias.com/daily-updates/daily-news-analysis/challenges-faced-by-regional-connectivity-scheme.
[296] IMPRI India, *Bridging the Skies: The Success and Challenges of UDAN-RCS* (2017), https://www.impriindia.com/reports/bridging-the-skies-udan-rcs (last visited Apr. 18, 2025).
[297] Adam Hayes, Operational Efficiency, Investopedia (reviewed by Andy Smith & fact checked by Suzanne Kvilhaug), https://www.investopedia.com/terms/o/operationalefficiency.asp (last visited Apr. 14, 2025).

duplicate functions to achieve efficiency in operations. Jet Airways' acquisition of Air Sahara was yet another highly strategic move with the intent of extending the network and improving the service provisions by reflecting operational effectiveness.[298]

IndiGo has achieved remarkable operational efficiency through its focus on a low-cost model. Its point-to-point network, high aircraft utilization, and turnaround time, it has minimized costs and maximized productivity. A large fleet of Airbus A320 family aircraft, coupled with rigorously implemented operational streamlining, has positioned IndiGo prominently in the domestic sky.[299]

Because of the merger of Air India and Vistara, the Tata Group is focused on developing a full-service carrier using the hub-and-spoke model to improve connectivity to attract a larger cross-section of passengers, especially on international routes.

It is expected to add increased connectivity and a better fit, a fair design to the international air market. However, while the combination can yield a better overall performance for the Tata Group, it will present major challenges in integrating different airline cultures, systems, and processes.[300]

The indomitable position of IndiGo is getting challenged by the Tata Group, considering the plans to expand its network and improve the service quality, as well as a very large fleet. The battle between these two giants will most likely tend to be stiffer about prices and routes put on service offerings. Smaller players have increasingly found it difficult to compete with the above industry giants since they do not have the size and assets to match their operational efficiency and market reach.

Indigo, so far unchallenged in the Indian aviation market, now faces competition from Tata Group, which has expansion plans in terms of networks, service quality improvements, and a very large fleet. This battle between these two giants will most likely tend to be stiffer about prices and routes put on service offerings. Competing with such colossal industry giants, on

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[298] Madhav Raj, *Indian Airlines Industry – A Thesis Report*, Scribd, https://www.scribd.com/document/441984698/Indian-Airlines-Industry-A-thesis-Report (last visited Apr. 21, 2025).
[299] Equitymaster Research Pvt. Ltd., InterGlobe Aviation (IndiGo) 2023–24 Annual Report Analysis (Aug. 2, 2024), https://www.equitymaster.com/research-it/annual-results-analysis/INDIG/INTERGLOBE-AVIATION-INDIGO-2023-24-Annual-Report-Analysis/10867.
[300] Harish Bijoor, Air India-Vistara Merger: Graveyard of Brands in the Sky, *New Indian Express* (Nov. 11, 2024), https://www.newindianexpress.com/opinions/2024/Nov/11/air-india-vistara-merger-graveyard-of-brands-in-the-sky.

the other hand, has become too difficult for small players as they do not have the size and assets to match their operational efficiency and market reach.[301]

Consolidation, on the one hand, may move into the situation for launching economies of scale in the merged entities' financial health; on the other, it would tend to reduce the competition and, thus, consumer choice and prices. The long-term implications for the aviation sector will depend on how earnestly deliberations take place on the government intervention addressing the problems of regional connectivity and small entities reasonably.[302]

[301] Policy Circle Bureau, Turbulence Ahead: India's Aviation Industry Faces Challenges After Boom, Policy Circle (Nov. 26, 2024), https://www.policycircle.org/industry/challenges-facing-aviation-industry/.
[302] Abhishek Nayar, The Sky's the Limit: India's Bold Moves to Tackle Airfare Irregularities and Reform Aviation Laws, *100 Knots* (Dec. 7, 2024), https://www.100knots.com/the-skys-the-limit-indias-bold-moves-to-tackle-airfare-irregularities-and-reform-aviation-laws/.

Chapter 6: Recommendations and Conclusion

Recommendations

The researcher has analysed that improving Inter-agency Coordination in M&A Regulation in the aviation industry of India will arise under the ambit of such agencies as the DGCA, MoCA, and CCI. An integrated regulatory mechanism is required to facilitate decision-making with no overlapping jurisdiction. From an Interim Joint Aviation Merger Oversight Committee (JAMOC) for the convergence of laws and unified governance to strengthen both pre-merger evaluations and post-merger scrutiny, which should include safety, competition, and consumer protection aspects.

Institutional M&A Monitoring and Impact Assessment, focusing on the Ministry of Civil Aviation, shall add a dedicated component to the National Aviation M&A Monitoring Framework, focusing on following the post-merger developments, with long-term impacts on the shape of the market, quality of service, and customer experience. In essence, Post-Merger Impact Assessment Reports must be submitted to the airline's pages after at least five subsequent years of marriage: major areas of information about fares, service integration, and customer experience. Thus, both mechanisms put into place would ensure ex-ante accountability and long-term evaluation of merger effectiveness.

Public Disclosure and Strategic Alignment, a Strategic Rationale Report should accompany M&A Aviation Projects on the objectives of the merger, including synergies or strategic purposes. The past failures of Indian hire mergers indicate how important it is to have strategic objectives in place before approving a merger, workforce structure, and operational framework. The acquirer can be made to prove how the integration will retain efficiency or customer service before getting regulatory approval.

Legal Framework and Compliance Mechanisms whereby DGCA and CCI should develop a pre-merger compliance checklist to improve regulatory efficiency. It also has significant gaps, which further create a scope for capable airlines, including not only fare manipulations but also the monopolization of routes post-merger. Accordingly, the CCI inquiry must be strengthened to prevent such market power abuse. Also, the clarifications regarding the applicability of the Competition Act, 2002, to the aviation sector, especially to the criteria like AAEC, consumer choice, and fare variations, need to be resolved.

Post-Merger Integration Guidelines relating to the history of aviation in India are dotted with instances of unsuccessful merger reconciliations. Jet-Sahara and Kingfisher-Air Deccan are

pertinent examples. Standard Operating Procedures (SOPs) exist for post-merger integration, such as alignment of human resources, branding, and operational consolidation. In addition, acquisitions of distressed assets such as Jet Airways were open to legal grey areas. Therefore, a specific IBBI-DGCA insolvency resolution mechanism needs to be created to ensure that the processes of recovery and restructuring of failed carriers would cause minimal disruption to air services.

Labour and Cultural Due Diligence Needs Past failed integrations of mergers invariably detected their causes as not adequately attending to the organizational culture and employee harmony. Intra-labour unrest and mismanagement, in turn, have an impact on service quality as well as the reputation of an airline. Hence, a Labour and Cultural Due Diligence Report should be a statutory requirement before M&A approvals. It would suggest anticipated friction points in workforce mergers and act preventively for smooth transitions with morale intact and service standards preserved.

Valuation Transparency and Compliance Enforcement, emphasizing case studies such as Kingfisher and Jet Airways, exposed critical opacity in terms of the valuation processes and inadequate compliance reporting. SEBI, along with the MoCA, should also impose full disclosure on the use of valuation methodology and the progress of integration. Regular updates and transparent mandatory mechanisms will surely bolster investor confidence while minimizing misinformation. Noncompliance should be punishable to discourage concealment and ensure stakeholder trust.

Post-Merger Shareholder and Fare Regulation analysing the increasing monopoly of airlines such as IndiGo and the Tata Group raises alarming concerns regarding fare control and competition in the market, given that a new dimension has been created due to consolidation. As such, regulation via price benchmarks would be in order regarding monopolized routes, especially those vacated because of consolidation. Statutory appraisal clauses need to be inserted into the Companies Act, thereby giving minority shareholders rights, which would enable dissension shareholders to exit with just compensation. Beyond the merger, board members will have to withstand higher fiduciary standards meant to safeguard minority interests.

Future Research Outlooks

M&A in aviation is obviously growing and will soon perhaps see the emergence of hybrid regulation models incorporating sectoral regulation by the DGCA and MoCA with horizontal

frameworks such as competition law (CCI). M&A comparative studies may consider how hybrid regimes can protect the public interest while also allowing for private innovation, particularly in the case of emerging aviation markets such as India.

The study may also view pandemic mergers as a consolidation strategy: how far did the mergers increase airline resilience post-COVID, and how far did they hide the structural flaws? A longitudinal study could, therefore, highlight the post-COVID sustainability of aviation business models.

Technological Modernization as a Merger Catalyst

At some point in the future, discussions may be initiated regarding M&A technological catalysts, such as AI route optimization techniques, integrated digital booking platforms, and data analytics for mergers. These synergies are aging in the literature, which often cites them as merger benefits, but they rarely receive ample empirical attention. The different cases in the Far East and Europe could yield additional lessons.

Urbanization and the Promotion of the Middle Class as an M&A Stimulus

India's rising middle class and urban sprawl demand better aviation connectivity. Future researchers might also seek to understand how demographic and spatial transformations influence the M&A process, particularly in the assignment of route rights, pricing policies, and customer separation strategies of carriers forming the consolidated airline.

Comparative Assessment of Successful and Failed Aviation M&A

A successful research field lies in the comparative diagnostic success versus failure in aviation M&A, and examples of Kingfisher-Air Deccan and Air India-Vistara. Possible metrics could include freedom quality, shareholder returns, consumer perception and perception, and regulatory compliance. Based on such an analysis, a predictive model for M&A success can be created.

Institutionalization of Airports Counters to Insolvency Resolutions

There might be research in the future into how institutionalizing frameworks of insolvency resolution can actualize an air domain, especially with the case of the revival of Jet Airways through IBC. This mainly consists of finding out how IBC might be utilized in aspects particular to airlines, such as fleet preservation, slot retention, or retrenchment of employees.

Long-Term Effects of Duopolistic Market Structures on Airline Fares

Considering that IndiGo and the Tata Group hold more than 90% of the domestic aviation market in India, future studies should link the trend of fares in monopolistic or duopolistic sections for 5-10-year duration. Modeling may integrate elasticity of demand, route rationalization, and consumer surplus metrics.

Predictive Models of Shareholder and Minority Wealth After M&A

In the future, research may consider constructing predictive financial models that analyse the post-merger value of minority shareholder interests. These models may also include legal parameters (fiduciary breaches, appraisal rights), financial ratios (such as EPS, P/E), and behavioural dimensions such as shareholder activism.

AI-Oriented Route Enhancement and Coverage Expansion Projections

A significant post-merger focus on route optimization (example: hub consolidation by Air India and Vistara in Delhi) leaves an avenue for research in forecasting the potential network expansions using the AI models capable of evaluating the effects of routing integration on operational efficiency and passenger connectivity in underserved areas.

Customer Welfare Assessment with Service Quality Indices

Future researchers can formulate a Consumer Aviation Experience Index that can measure the service quality, price fairness, and route accessibility after the merger. This would provide a basis for regulatory audits and policy decisions, offering a data-driven perspective on individual consumers in terms of how they are affected by the merger.

Conclusion

The findings of this study affirm the first part of the hypothesis: India has indeed witnessed significant consolidation in its aviation sector through recent post-pandemic mergers and acquisitions. The merger of Air India with Vistara, and the resurgence of Jet Airways under new ownership, alongside the already dominant presence of IndiGo, have restructured the competitive dynamics into a near-duopoly. This has led to higher market concentration, reduced price competition on many routes, and raised barriers for new entrants due to slot allocation constraints, capital intensity, and regulatory bottlenecks. While existing competition laws, such as the Competition Act, 2002, and institutions like the CCI are active, their enforcement often lacks teeth, especially in complex aviation cases where market dominance doesn't immediately translate into measurable consumer harm. This underscores the need for a more dynamic,

sector-specific antitrust framework and proactive regulatory monitoring to mitigate collusion risks and uphold fair market access.

The second part of the hypothesis regarding the uneven distribution of M&A benefits among shareholders is also validated. While acquirer companies may realize operational synergies and enhanced market presence, minority shareholders and employees often bear the brunt of restructuring. Case studies reveal recurring challenges: diluted shareholding rights, lack of transparency in valuation and integration strategies, and legal uncertainties around employee retention and vendor contracts. The Kingfisher–Air Deccan and Jet–Sahara deals especially highlight the consequences of weak governance and misaligned strategic objectives. Therefore, future M&A transactions must prioritize corporate governance, legal safeguards for minority interests, and comprehensive post-merger planning to ensure that the gains from consolidation are equitable and sustainable across all stakeholder groups.

Chapter 2 highlights the remarkable transformation of Indian aviation through liberalization, privatization, and M&A. From a state-controlled monopoly to a thriving private-led market, policy reforms have fueled competition, connectivity, and efficiency. The emergence of low-cost carriers and regional schemes like UDAN democratized air travel, while M&A fostered consolidation and resilience. However, structural challenges remain, including infrastructure gaps and financial sustainability. Overall, the growth journey underscores the significance of strategic governance and investment in shaping a globally competitive aviation industry driven by robust legal and regulatory frameworks.

Chapter 3 emphasizes the legal landscape shaping M&A in Indian aviation, including regulatory scrutiny by the DGCA, MoCA, and CCI. It underscores how frameworks like the Competition Act, 2002, and the Companies Act, 2013 safeguard consumer rights, ensure fair competition, and manage market concentration. Comparative global insights reveal India's alignment with global practices. However, challenges like entry barriers and oligopolistic tendencies persist. Effective M&A governance demands streamlining approvals and enhancing legal safeguards. A balanced regulatory approach remains critical to promoting consolidation while protecting consumer welfare and preserving competitive dynamics in the evolving aviation landscape.

Chapter 4 analyses key M&A cases in Indian aviation, including Air India's privatization, Jet Airways' revival, and the Air India–Vistara merger. These cases illustrate strategic goals like debt resolution, operational synergies, and market expansion. Successful deals reflected

regulatory compliance and strategic fit, while failed ones (e.g., Kingfisher–Air Deccan) exposed pitfalls of misaligned business models, weak integration, and financial mismanagement. The chapter also reviews European M&A practices, emphasizing regulatory stringency. Overall, these cases affirm that strategic alignment, financial due diligence, and legal compliance are critical to achieving sustainable success in aviation mergers and acquisitions.

Chapter 5 reveals how M&A has reshaped the Indian aviation sector into a duopoly dominated by IndiGo and the Tata Group. Post-merger impacts include pricing shifts, reduced consumer choices, and operational realignment. While consolidation improves efficiency and financial viability, it raises competition concerns, especially in underserved routes. Regulatory bodies like the CCI play a pivotal role in mitigating monopolistic risks. The findings underscore the need for vigilant oversight, equitable shareholder protection, and sustainable practices to balance industry efficiency with fair market dynamics in India’s rapidly evolving aviation sector.

The researcher, after having made a detailed analysis of the Strategic Consolidation in the Indian Aviation Industry. The study finds sufficient grounds to uphold its prevailing assumption: that the recently observed trend in M&A in India's aviation sector has been more strategic to obtain economies of scale, enhance market share, and secure financial survival in a post-pandemic environment. Tata Group and IndiGo-led consolidation initiatives exemplify how large players use acquisitions as vehicles of growth and survival, thereby radically changing the competitive architecture of the industry.

Research suggests that merging and buying companies in the aviation sector in India are double-edged swords- while bringing efficiency, competitiveness, and international positioning, they involve potential risks related to legal compliance, equity for the shareholders, and access to consumers. The hypothesis thus poses in general that even though consolidation offers a tactical advantage, it needs all the stronger legal scrutiny, good governance post-merger, and enforcement of fair competition.

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